GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

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

The following is Management's Discussion and Analysis ("MD&A") of Global's consolidated interim financial statements for the three and six month periods ended June 30, 2011. This MD&A has been prepared as of August 12, 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 analysis should be read in conjunction with the Company's annual consolidated financial statements, together with the Management's Discussion and Analysis thereof, which are available on SEDAR at www.sedar.com. Additional information regarding Global is contained in its Annual Information Form ("AIF"), 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 34 of this MD&A.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management prepared the consolidated interim financial statements for the Company and is responsible for the integrity and fairness of the data presented therein. The consolidated interim financial statements contained in this interim report have been prepared in accordance with International Accounting Standards ("IAS") 34, with International Financial Reporting Standards ("IFRS") 1, First-time Adoption of IFRS ("IFRS 1"). Where IFRS 1 provided alternative accounting policies, 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, which is comprised entirely 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. Relying on reviews and discussions with Management and in light of its roles and

responsibilities, the Board of Directors ("Global Board") has approved the Company's second quarter consolidated interim financial statements.

Performance Data

The following represents data for the unaudited three month and six month periods ended June 30, 2011, with unaudited comparative figures for 2010:

	Q2 - Three months		YTD - Six months	
	2011	**2010**	**2011**	**2010**
Sales from continuing operations	$10,093,785	$ 11,926,616	$22,273,360	$ 22,924,574
Net loss from continuing operations	$ (580,590)	$ (823,297)	$ (378,641)	$ (1,423,618)
Net earnings (loss)	$ (580,590)	$ 534,953	$ (378,641)	$ 652,646
Continuing operations loss per share				
Basic	$ (0.04)	$ (0.05)	$ (0.02)	$ (0.09)
Diluted	$ (0.04)	$ (0.05)	$ (0.02)	$ (0.09)
Net earnings (loss) per share				
Basic	$ (0.04)	$ 0.04	$ (0.02)	$ 0.04
Diluted	$ (0.04)	$ 0.04	$ (0.02)	$ 0.04
Weighted average number of common shares outstanding for continuing operations				
Basic	15,252,399	15,239,900	15,252,399	15,239,900
Diluted	15,252,399	15,239,900	15,252,399	15,239,900
Total Assets	$ 47,862,037	$ 69,631,857	$ 47,862,037	$ 69,631,857
Total Long-Term Liabilities *	$ 22,905	$ 3,202,328	$ 22,905	$ 3,202,328

* Excludes $15,070,000 of long-term debt classified as a current liability as at June 30, 2010.

Strategy

In the third quarter of 2009, Global's previous "growth through acquisition" strategy was suspended given the Corporation's financial condition and the ongoing strategic and restructuring review undertaken by the Board of Directors and its Special Committee. During the third quarter of 2010, Global sold GBI USA Holdings, Inc. ("GBIH"), the parent company of G&B Specialties, Inc. ("G&B"), and the assets of Bach-Simpson Corporation (now 1703558 Ontario Inc) ("Bach-Simpson") to Wabtec Corporation ("Wabtec") (NYSE: WAB).

Following the sale to Wabtec, The Board of Directors continued to consider strategic alternatives for the Company and its remaining operating business, CADRI, which resulted in the execution on July 4, 2011 of a definitive agreement to sell CADRI to a company controlled by Global's Acting President and CEO. if the sale of CADRI is completed, the Company would cease to have an operating business. See "Subsequent Event" at page 13 for additional details.

Significant Events in the Second Quarter of 2011

During the second quarter of 2011, CADRI successfully delivered four locomotives to VIA Rail Canada (“VIA”), in accordance with the agreed upon delivery schedule. These deliveries are in addition to the three locomotives delivered during the first quarter of 2011, the fifteen locomotives delivered during 2010 and eight delivered during 2009. CADRI has now delivered a total of 30 of the 53 locomotives to be remanufactured under the VIA contract. A total of 29 locomotives have received Final Acceptance and one additional locomotive has received Provisional Acceptance from VIA as at June 30, 2011. Additionally, during the second quarter CADRI repaid $364,000 of customer deposits (aggregate repayments for the six months ended June 30, 2011: $953,000) reducing the balance payable at June 30, 2011 to approximately $550,000.

As at June 30 2011, the Company maintained consolidated cash, short term investments and escrow receivables of $15.9 million versus $0.4 million as at June 30, 2010. This compares to $18.0 million as at March 31, 2011. The decrease in cash and short term investments from the first quarter 2011 of approximately $2.1 million represents reduction of CADRI accounts payable of $1.1 million, corporate costs of $564,000, repayment of $364,000 of customer deposits and capital expenditures of $158,000.

During the first quarter of 2011, CADRI bid on a major contract for the refurbishment of 127 bi-level passenger cars of Metrolinx, an agency of the Government of Ontario. At the public tender opening for the contract on March 29, 2011, CADRI was verbally informed with the other two bidders, that it had submitted the lowest bid. On June 24, 2011, CADRI was formally advised by Metrolinx that it had been awarded the contract valued at approximately $120.6 million. The definitive contract was executed by CADRI and Metrolinx on July 13, 2011.

Sales

Through its sole operating subsidiary, CADRI, 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 for the three month period ended June 30, 2011 were $10.1 million. Revenue growth slowed during the second quarter following completion of a

marine contract at the end of Q1 and customer delays on some other smaller contracts. Total company sales for the six month period ended June 30, 2011 were $22.3 million.

Revenue decreased by 15% during the second quarter of 2011 compared to the second quarter of 2010 and by 3% for the six months ended June 30, 2011 compared to the six months ended June 30, 2010. These decreases were primarily due to more stabilized revenues on the VIA contract in 2011 compared to higher revenues in 2010 while catching-up on the project schedule. Additionally, strong appreciation of the Canadian dollar affected potential revenue gains and the development of new sales in the US market place. Excluding the foreign exchange impact, total Company sales for the second quarter of 2011 compared to the second quarter of 2010 would have fallen by 8.6% instead of 15%.

During the second quarter of 2011 70% (2010 - 71%) of Company's revenues are generated from one transit customer. Sales originate predominantly in Canada and the US, with 3% (2010 - 1%) of revenue generated from sales in other countries during the second quarter 2011. The majority of accounts receivable with 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 US$/CDN$ exchange rate for the three month period ended June 30, 2011 was $0.97 compared to $1.04 the same quarter of 2010. The effect of the fluctuating value of the Canadian dollar against the United States dollar unfavorably impacted the Company's 2011 second quarter sales growth. Had the exchange rate remained constant year over year, sales would of increased by an additional $135,000 during the second quarter and $308,000 year to date or 1.3% for the quarter and 1.4% year to date.

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 second quarter of 2011, approximately 24% of the Company's sales were transacted in United States dollars and approximately 22% year to-date. During the comparable 2010 quarter, approximately 26% of the Company's sales were transacted in United States dollars with 22% year to date. The 2011 second quarter percentage of United States dollar denominated sales was lower than the 2010 percentage due primarily to a sizable increase in CADRI's Canadian dollar denominated sales originating outside of the VIA contract.

Gross Margins

Gross margin for the six months ended June 30, 2011 improved to 11.5% from 8.6%, for the same period in 2010, due to additional major projects for locomotive and marine customers. However, gross margin for the second quarter alone, softened to 9.9% from 11.0% in the second quarter of 2010, due to reduced 2011 scientific research and experimental development ("SRED") tax credits and the impact of foreign exchange because the proportion of the Company's sales denominated in United States dollars exceeds the proportion of the Company's expenses denominated in United States dollars.

In addition, the Company's gross margin was lower in the second quarter of 2011 than the first quarter due to the completion of major projects for locomotives and marine industry clients in the first quarter. The lower volumes in the second quarter, particularly the slowdown in engine testing, reduced the SRED tax credit as well as a credit provided to a customer on services previously performed, further softening second quarter margins.

During the six months ended June 30, 2011, the Company recorded the benefit of anticipated SRED claims in the amount of $21,000, including $5,000 for the quarter ended June 30, 2011. For the six months ended June 30, 2010 the Company recorded SRED benefits of $100,000, including $50,000 for the quarter ended June 30, 2010. The value of future SRED claims fluctuates depending on the SRED activities undertaken in any given period. As a result of a CRA audit, CADRI Management has re-evaluated the eligibility of its 2011 SRED projects and has taken a much more conservative approach with respect to accruing potential refund claims. In July 2011, the Company engaged a third party SRED advisor to review, recommend, and assist with CADRI's 2011 SRED claims.

Depreciation

During the second quarter of 2011, the Company recorded depreciation expense of $99,000, representing a decrease of $190,000 over the comparable 2010 period as a result of a lower net book value of the Company's plant and equipment and intangible assets. Year to date, the Company recorded depreciation expense of $196,000, representing a decrease of $349,000 over the comparable 2010 period as a result of a lower net book value of the Company's plant and equipment and intangible assets. Both reductions are due to a $9.7 million impairment charge recorded under IFRS for the year ended December 31, 2010.

Impairment

No impairment has been recorded during the current quarter as there were no further indicators that would require any assets be tested for impairment. Goodwill, as well as

all intangible assets relating to continuing operations, has previously been fully written off.

Other Operating Expenses

The Company incurs corporate costs and other costs including public accounting and IFRS, bank fees, professional fees, legal fees as well as other costs directly associated to the operating and maintenance of a publicly traded company grouped as follows;

	Q2 - Three months		YTD - Six months	
Corporate Costs	**2011**	**2010**	**2011**	**2010**
Bank fees	2	108	5	238
Professional fees	56	64	110	144
Salaries	218	76	326	155
Corporate development	46	346	51	412
Insurance costs	19	-	39	-
Legal fees	20	84	51	131
Public accounting & IFRS	204	298	378	507
Tax advice	22	(9)	39	24
Miscellaneous	39	137	101	296
	626	1,104	1,100	1,907
Financial expenses and taxes				
Foreign exchange	(6)	301	17	136
Interest	(55)	403	(108)	890
Income tax	(1)	(77)	1	35
	564	1,731	1,010	2,968

Administrative expenses (including corporate costs) and selling expenses for the three months ended June 30, 2011 were $1,568,000 or 13.1% of sales, compared with $1,541,000 or 12.9% for the same period in 2010 as the Company continued to reduce corporate costs. Administrative expenses for the three months ended June 30, 2011 were $1,389,000 or 13.8% of sales including corporate costs of $626,000 (excluding financial expenses and taxes noted in the table), compared with $1,568,000 or 13.1% of sales including corporate costs of $1.1 million (excluding financial expenses and taxes noted in the table) for the same period in 2010 as the Company reduced costs related to corporate development, bank fees, audit and legal. Selling expenses for the three months ended June 30, 2011 were $152,000 or 1.5% of sales compared with $218,000 or 1.8% of sales for the same period in 2010.

Administrative expenses (including corporate costs) and selling expenses year to date were $2,725,000 or 12.2% of sales, compared with $2,972,000 or 13.0% for the same period in 2010 as the Company continued to reduce costs. Administrative expenses for the six months ended June 30, 2011 were $2,417,000 or 10.9% of sales including

corporate costs of $1.1 million (excluding financial expenses and taxes noted in the table), compared with $2,564,000 or 11.2% of sales including corporate costs of $1.9 million (excluding financial expenses and taxes noted in the table) for the same period in 2010 as the Company continued to reduce costs related to corporate development, bank fees and audit. Selling expenses for the six months ended June 30, 2011 were $308,000 or 1.4% of sales compared with $409,000 or 1.8% of sales and unchanged from the same period in 2010.

Finance Income/Costs

During the three month period ended June 30, 2011, net finance costs were $35,000 or $414,000 less than the comparable period in 2010. During the six month period ended June 30, 2011, net finance costs were $71,000 or $468,000 less than the comparable period in 2010. Both reductions were due to reduced interest costs following the repayment of bank borrowings and the absence of bank renegotiation and extension fees that were paid for the term and operating facilities during the second quarter of 2010.

Foreign Exchange

The Company recorded a foreign exchange loss of $1,500 during the second quarter of 2011, compared with a foreign exchange gain of $284,000 during the same period in 2010. During the first six months of 2011, the Company recorded a foreign exchange loss of $21,000, compared with a foreign exchange loss of $184,000 during the same period in 2010. The foreign exchange loss during the second quarter is due in large part to a foreign exchange loss on a US denominated escrow receivable as well as the end of foreign exchange activity arising from intercompany transactions, following the sale of GBIH to Wabtec during the third quarter of 2010.

Net Earnings (Loss)

Net loss from continuing operations for the second quarter of 2011 was $581,000, after corporate costs of $564,000 compared to a net loss from continuing operations of $823,000 for the same period in 2010 after total costs related to corporate of $1.7 million (including interest and foreign exchange noted in the table). Net earnings from continuing operations for the six months ended June 30, 2011 were $379,000, after corporate costs of $1,010,000, including the costs of audit and review, corporate strategic review and the IFRS conversion, compared to net loss from continuing operations of $1,423,000 for the same period in 2010 after total costs related to corporate of $3.0 million (including interest and foreign exchange noted in the table).

Comprehensive loss for the quarter was $580,000 compared to a $1,145,000 income in the same period of 2010 due to earnings from discontinued operations of $1,358,000 and an unrealized gain of $610,000 in the second quarter of 2010 on translation

differences due to a self-sustaining foreign operation. Comprehensive loss for the six months ended June 30, 2011 was $378,000 compared to earnings of $859,000 in the same period of 2010 due to earnings from discontinued operations of $2,076,000 and an unrealized gain of $207,000 in the first six months of 2010 on translation differences due to a self-sustaining foreign operation.

Outlook

Management is pursuing strategies to shift CADRI revenue generation from project-oriented contracts requiring continuous learning and start up costs to more stable long term repeat activities. The new strategy will look to reduce sales volatility, learning curve impacts and enhance revenue stability.

As the company gears up for the new bi-level car refurbishment contract, Management expects that project start-up costs and learning curve costs will have a direct impact on CADRI margins and consolidated corporate results in both the short and medium term.

The Bank of Canada's April Monetary Policy Report (MRP) announced the "global economic recovery is becoming more firmly entrenched and is expected to continue at a steady pace." Overall, economic activity in Canada has been stronger than the Bank anticipated. Furthermore, the MRP said "growth is solidifying," in the U.S., "although consolidation of household and ultimately government balance sheets will limit the pace of expansion". MRP continued that, "Global financial conditions have remained very simulative, and investors have become noticeably less risk averse, despite the significant challenges that weigh on the global economic outlook." However, recent global market uncertainty may challenge prior economic growth forecasts.

Rail volume growth continues to outpace Gross Domestic Product (GDP) growth, driven by intermodal demand and economic recovery although at the lowest year over year increase for trailers and containers since January 2010. During June 2011, railcar owners withdrew almost 3,000 cars of various types out of storage, shrinking the idled fleet to 18.2%. A number of factors lead to increased 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. Freight railroads also added 745 employees in May 2011, bringing the number of US employees to more than 157,000, for the major freight railroads. May 2011, represented the fourth straight month to see industry employment increases and the thirteenth monthly employment increase over the past 17 months.

With the continuing growth in the 2011 economy year to-date, the finances of the railroad industry will continue to improve. However, the overall sentiment, based on latest available weekly data, is increasingly mixed about whether the industry can continue to make progress. 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.

Growing global and particularly geo-political uncertainty could push the North American economy into a slower growth period. Business growth is slowing with some pick-up in end market demand, although new project development and kick offs are waning.

Moreover, structural cost cuts during the last downturn are forecasted to help railroads generate higher margins with leaner business models in the future to better position them for slower growth thereby not leading to a potentially protracted downturn.

Financial Results ('000's)

	Q2 '11	Q1 '11	Q4 '10	Q3 '10	Q2 '10	Q1 '10	Q4 '09	Q3 '09
Sales from continuing operations	$ 10,094	$12,180	$ 12,201	$10,139	$ 11,927	$10,998	$10,794	$ 9,454
Net earnings (loss) from continuing operations	$ (581)	$ 202	$ (1,818)	$ (1,511)	$ (823)	$ (601)	$ (4,278)	$(1,511)
Net earnings (loss)	$ (581)	$ 202	$ (1,976)	$18,045	$ 535	$ 118	$ (3,879)	$ (532)
Earnings (loss) per share from continuing operations								
Basic	$ (0.04)	$ 0.01	$ (0.12)	$ (0.10)	$ (0.05)	$ (0.04)	$ (0.28)	$ (0.10)
Diluted	$ (0.04)	$ 0.01	$ (0.12)	$ (0.10)	$ (0.05)	$ (0.04)	$ (0.28)	$ (0.11)
Net earnings (loss) per share								
Basic	$ (0.04)	$ 0.01	$ (0.13)	$ 1.18	$ 0.04	$ 0.01	$ (0.25)	$ (0.03)
Diluted	$ (0.04)	$ 0.01	$ (0.13)	$ 1.18	$ 0.04	$ 0.01	$ (0.25)	$ (0.03)

Note: 2010 and 2009 results have been restated to reflect impact of reclassification adjustments between continuing operations (CADRI) and discontinued operations (G&B and Bach-Simpson). Net earnings for Q3 2010 include a one-time gain on the sale of G&B and Bach-Simpson. Q1 2011, Q2 2011, Q1 2010 and Q2 2010 are presented under IFRS. All other quarters are presented under Canadian GAAP.

Liquidity and Capital Resources

On September 24, 2010, the Company negotiated a new Credit Agreement, with one of its existing Lenders, which provided for 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. The Company's obligations under the credit facility are secured by subsidiary guarantees and a cash collateral pledge in the amount of $1.3 million. Interest rates for loans and overdrafts are Canadian bank prime rate plus 0.25%.

As at June 30, 2011, cash and short-term investments on hand totaled $10.5 million compared to $11.6 million as at December 31, 2010 and $363,000 at June 30, 2010. Additionally, $5.4 million of escrow funds receivable were outstanding as at June 30, 2011 for total cash, short term investments, and escrow receivables of $15.9 million.

For the six months ended June 30, 2011, cash used in continuing operating activities was $688,000, including the receipt of $2.4 million of escrow receivables. Cash used in continuing operations, excluding escrow receivables, was $3.1 million due to net change in accounts payable of $1.3 million due to accelerated payments to suppliers, repayment of customer deposits of $727,000 and the Company's growing order book as receivables increased by $614,000 and costs and estimated earnings on uncompleted contracts increased $534,000. Additionally, the acquisition of plant and equipment comprised of lab test equipment, lab improvements and work station enhancements were financed from cash resources. Decrease in cash and cash equivalents, for the six months ended June 30, 2011, of $1.2 million or $3.6 million excluding escrow, was primarily due to the accelerated trade payments, repayment of customer deposits, increased accounts receivable and earnings on uncompleted contracts.

During the six months ended June 30, 2010, cash used from operating activities was $896,000, driven by accelerated customer collections. Decrease in cash and cash equivalents, for the six months ended June 30, 2010, of $412,000, was primarily due to the accelerated collection of receivables of $1.0 million and repayment of customer deposits $780,000.

As at June 30, 2011, the total drawn on the new credit facilities was $1.01 million, primarily representing $1 million for the VIA financial guarantee. The undrawn portion of the Company's available credit facilities, as at June 30 2011, was $190,000 under the new financing arrangement.

The Company expects to maintain sufficient cash resources in both the near-term and long-term, maintain operating capacity, meet planned growth and fund future development activates within its current business structure.

As at June 30, 2011 the Company did not have any off-balance sheet financial arrangements.

Capital Expenditures

Management continues to approve only core capital expenditures related to signed contracts with rapid payback periods or safety related projects. During the second quarter of 2011, CADRI acquired plant and equipment consisting of test equipment, lab improvements and work station enhancements.

For the three and six months ended June 30, 2011, the Company's capital expenditures totaled $158,000 and $174,000, respectively.

As at June 30, 2011, the Company had no outstanding commitments for additional capital expenditures.

Contractual Obligations

As at June 30, 2011, the Company has the following lease commitments at CADRI:

	2011	2012	2013	2014	Thereafter
Lease commitments	$ 57,750	$ 58,000	$ 58,000	$ 43,000	$ 24,000

The Company has entered into fixed price purchase contracts with remaining commitments amounting to approximately $7.9 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 $2.1 million with a company owned by the Acting President and Chief Executive Officer of Global – see Related Party Transactions.

In December 2007, CADRI was awarded a $101.5 million contract that has since been increased to $108.2 million, to remanufacture VIA Rail Canada's fleet of 53 F40 locomotives and additional work over a five year period. The contract amount has been corrected from $113.3 million reported in the first quarter of 2011 due to the customer double counting additional work. The 2007 VIA fleet renewal program will see the full remanufacturing of their F40 locomotives, including several technological upgrades, and is expected to be completed before 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 until 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 labor 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 informal meetings, VIA has indicated that they do not plan to impose late delivery penalties on CADRI, they are not in the business of charging penalties and have

indicated if the last locomotive is delivered according to the original schedule, no penalties would be applicable. VIA has also proposed an amendment to the agreement to this effect, however, this does not represent a contractual amendment to date and there cannot be any assurance that no penalties will be charged. Additionally, CADRI is no longer behind on the original delivery schedule. Accordingly, no amounts have been accrued in the June 30, 2011 consolidated financial statements for such penalties.

The Company maintains a customer deposit liability on its consolidated balance sheet in the amount of approximately $550,000 of which $491,000 is current and represents advance payments received in respect of the remanufacture of VIA locomotives. During the second quarter 2011 the Company repaid $321,000 of the amounts owing as customer deposits. Year to-date the Company has repaid 871,000 of customer deposits. 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 June 30, 2011, the Company had 15,252,399 common shares outstanding which represents an additional 7,500 common shares compared to June 30, 2010. During the three month period ended June 30, 2011, no stock options were exercised, no 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 15,529,899 shares outstanding.

Related Party Transactions

During the second quarter of 2011, the Company expensed $172,000 including an annual bonus of $100,000 for management services provided by a company owned by the Acting President and CEO of Global, compared with $76,000 paid during the same period in 2010. During the first six months of 2011, CADRI expensed $244,000, including an annual bonus of $100,000, for management services provided to a company owned by the Acting President and CEO of Global, compared with $155,000 paid during the same period in 2010. In the normal course of business, CADRI purchased approximately US$1,050,000 of inventory from a company owned by the Acting President and CEO of Global during the three months ended June 30, 2011, compared with US$1,388,000 during the same period of 2010 ($1,778,000 for the six months ended June 30, 2011 and $2,121,000 for the six months ended June 30, 2010). 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 for engine components. As at June 30, 2011, the Company has committed to future purchases amounting to approximately $2.1 million from a company owned by the Acting President and CEO of Global.

Environmental Remediation Liability

In June of 2008, CADRI exercised an option to purchase the land and building it had previously been leasing. In connection with the acquisition of the land and building, the Company identified environmental contamination. Since it is probable that CADRI will sustain costs related to environmental assessment and remediation over the next five years, an environmental remediation provision in the amount of $765,514 was recorded as at January 1, 2010. Accretion expense of $118,655 was recorded for the year 2010 and the environmental remediation provision became $884,169 as of December 31, 2010. Further accretion expense of $34,262 for the second quarter of 2011 increased the balance of the provision further to $952,693 as at June 30, 2011. This provision amount has been calculated using a discount rate of 15.5% (December 31, 2010 - 15.5%).

Subsequent Events

New Contract award - Signing of Metrolinx Contract

On June 24, 2011, CADRI was awarded a contract for approximately $120 million with Metrolinx, the Province of Ontario's regional transportation agency for the Greater Toronto and Hamilton Area, for the refurbishment of 127 Go Transit Railway bi-level commuter cars over a six year period. Also contained within the contract is an option to refurbish an additional 22 bi-level commuter cars with a similar scope of work. The Metrolinx refurbishment program will see the full refurbishment of the bi-level commuter cars including technological upgrades and is expected to be completed by 2017, excluding the option. At the signing and execution of the contract on July 13, 2011, the Company was required to post a $10 million performance bond.

Sale of CADRI

On July 4, 2011, Global entered into a definitive agreement for the sale of CADRI to a company controlled by Global's Acting President and CEO (the "Buyer"), with the participation of a financial partner, as well as other members of CADRI management. The transaction is valued at approximately $12.9 million, including the assumption of VIA customer deposits of approximately $550,000 as at June 30, 2011.

The transaction is subject to customary conditions, in addition to the approval of two-thirds of the Company's voting shareholders and the TSX. The TSX has conditionally approved the transactions subject to, among other things, evidence of disinterested shareholder approval. The purchase agreement between Global and the Buyer provides for, among other things, a non-solicitation covenant by Global, subject to customary provisions that entitle Global to consider and accept a superior proposal relating to Global or CADRI, and the payment by Global to the Buyer of an expense reimbursement

for out-of-pocket invoiced expenses if the transaction is not completed as a result of the Company selecting a superior proposal.

Global has called a special meeting of shareholders to be held on August 30, 2011. At the meeting, Global will seek shareholder approval for the CADRI sale by a majority of not less than two-thirds of the votes cast by shareholders voting at the meeting, including a majority of the votes cast by shareholders other than the Acting President and CEO, the Buyer, other members of CADRI management and their "related parties" (within the meaning of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*). In addition, Global will seek shareholder approval by a majority of not less than two-thirds of the votes cast by shareholders voting at the meeting for a subsequent return of capital and winding up of the Company if the CADRI sale is completed since the Company would no longer have an operating business. The Global Board has unanimously recommended that shareholders vote in favour of the CADRI Sale and the return of capital and winding up at the special meeting.

In approving the sale of CADRI, the Board of Directors considered, among other things, the advice of its financial and legal advisors, a formal valuation of CADRI prepared by RSM Richter Inc., a fairness opinion from RSM Richter to the effect that the CADRI sale is fair, from a financial point of view, to the Company, the costs of continuing to operate CADRI as a public company and the limited interest in CADRI from potential third party purchasers, both during the 2009 auction process that resulted in the sale of G&B and Bach-Simpson and during a 70-day marketing period following the execution of the letter of intent with the Buyer.

The closing of the sale of CADRI is currently anticipated to occur in the later part of the third quarter of 2011. If the sale is completed, it is expected that the Company's common shares will be delisted from the TSX as the Company will no longer meet the TSX's minimum listing requirements. The Company intends to apply to transfer its listing to NEX, a separate board of the TSX Venture Exchange, in order to maintain liquidity in the Company's common shares during the winding up process.

For additional information regarding the sale of CADRI and subsequent winding up of the Company, including a copy of RSM Richter's formal valuation and fairness opinion, please refer to the Company's management information circular dated July 25, 2011 (the "Circular"), which is available on SEDAR at www.sedar.com.

CADRI Sale Agreement

On July 4, 2011, the Company signed a Share Purchase Agreement for its remaining operating subsidiary, CADRI, to 2290693 Ontario Inc., a company controlled by Global's Acting President and CEO, with participation of a financial partner, as well as members of the CADRI Management. The selling price is approximately $12.9 million including the assumption of debt outstanding of approximately $550,000 for a cash purchase price of $12.4 million. One million dollars of cash will be held in Escrow for one year following

the closing of the transaction for potential indemnification claims under the Share Purchase Agreement.

The carrying value of the assets being sold as at June 30, 2011 and the potential accounting loss on sale, based on the estimated purchase price, excluding transaction costs are as follows (in thousands of Canadian dollars, as at June 30, 2011):

Assets:	
Trade and other receivables	$ 4,809
Inventories	5,972
Prepaid expenses	668
Costs and estimated earnings on uncompleted contracts in excess of billings	5,887
Property, plant and equipment, net	8,897
Deferred tax assets	4,573
Total assets	30,806
Liabilities:	
Bank indebtedness	523
Trade and other payables	4,244
Billings on uncompleted contracts in excess of costs and estimated earnings	144
Customer deposits	548
Provisions	1,244
Deferred tax liabilities	15
Total liabilities	6,718
Book value of net assets to be sold	24,088
Cash purchase price	12,400
Purchase price adjustments	516
Total consideration	12,916
Potential accounting loss on sale of CADRI	$(11,172)

Estimated Cash after sale

Cash	157
Term deposits	4,631
Bank indebtedness	(581)
Short-term investments	6,321
Total cash on hand	10,528
Amounts held in escrow under Wabtec Sale Agreement (1)	5,400
Gross proceeds of CADRI Sale	
Cash on Closing Date	11,400
Adjustments for working capital and Metrolinx costs (2)	516
Amount to be held in escrow (3)	1,000
Total cash proceeds	28,844
Estimated Expenses	
Expenses of transaction (4)	(900)
Accrued restructuring payment and bonus (5)	(375)
Tax and other reserves	(870)
Winding Up expenses (6)	(1,185)
Estimated expenses	(3,330)
Total estimated cash available for distribution after sale	25,514

Notes:

1. As at June 30, 2011. Assumes full release of Bach escrow ($1.3 million) in August 2011, full release of G&B escrow ($3.5 million) in October 2011 and Management expects to receive the escrow proceeds related to tax operating losses prior to the forecasted maturity under the Wabtec Sale Agreement ($0.6 million escrow). Release of these escrow amounts is subject to reduction in respect of any indemnification obligations under the Wabtec Sale Agreement, and there can be no assurance that all of the escrowed funds will be available for distribution to Shareholders.
2. Assumes an aggregate upward adjustment to the Cash Purchase Price of $492,000 for working capital and $24,000 for Metrolinx costs (determined as at June 30, 2011). The final amount of the adjustment will be determined following the Closing Date in accordance with the CADRI Sale Agreement.
3. Assumes full release on first anniversary of the completion of the CADRI Sale. Release of this escrow amount is subject to reduction in respect of any indemnification obligations under the CADRI Sale Agreement, and there can be no assurance that all of the escrowed funds will be available for distribution to Shareholders.
4. Includes financial, legal and accounting fees, filing and printing costs (including the costs of preparing and mailing this Circular), certain termination and severance payments to Global and CADRI employees up to a maximum of $325,000 and 50% of the fees of the Escrow Agent.
5. Global's Acting President and CEO is entitled to the outstanding balance of a restructuring payment from Global of approximately U.S.$285,000 (Cdn.$275,000 as at June 30, 2011) in accordance with a letter agreement dated June 9, 2010 between Mr. Levy and Global, as well as a $100,000 bonus previously granted by the Global Board. Mr. Levy is entitled to these restructuring and bonus payments irrespective of the CADRI Sale. Each has been accrued in the financial statements of the Corporation.
6. Assumes 24 months to complete the Winding Up. Includes ongoing corporate costs, legal and audit fees, and the work fee under Services Agreement of $15,000 per month. If the Winding Up is completed in less than 24 months, these expenses will be reduced.

A special meeting of shareholders is scheduled for August 30th 2011 with a potential closing of the sale transaction expected within 10 days of a favorable vote.

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, outcome 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 Contract

CADRI has entered into a multi-year contract for the remanufacture of 53 VIA F40 locomotives and a new contract for the remanufacture of 127 bi-level passenger cars.

Multi-year contracts are complicated and create additional contract related risks for the Company. The Company is required to meet specific obligations throughout the course of the contracts. Failure to meet these obligations subjects the Company to potential 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 or; Metrolinx 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 or extend new 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.

Political risk

Governments are increasingly sensitive to "buy local" initiatives and other forms of protectionism. Contract opportunities and outcomes are often not based solely on technical merit and pricing.

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.

Revenue from the company's largest locomotive customer was approximately 69% of the Company's second quarter 2011 revenues. This compares to approximately 71% for the Company's second quarter 2010 revenues. 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 63% of accounts receivable as at June 30, 2011 versus 48% of accounts receivable as at June 30, 2011.

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 compared 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 the 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 commenced during the quarter ended June 30, 2010. The modules deployed include general ledger, accounts receivable and accounts payable. Global has now also initiated integration of the corporate financial and consolidating statements within the new accounting system to further consolidate and automate financial reporting. The new system enables 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. The Company will continue with the implementation of a fully integrated accounting and ERP system. The project team has been mobilized; recommendations and schedule are being developed to implement the ERP within 18 months.

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. If the sale of CADRI is completed and Global ceases to have an operating business, trading volumes may be further reduced and, accordingly, it may be difficult for Shareholders to liquidate their investments in Global. In addition, the Company expects that its common shares will be delisted from the TSX following the closing of the CADRI sale. While Global intends to apply to transfer its listing to NEX, there can be no assurance that a NEX listing will be obtained or that an active or liquid market for the common shares will develop or be sustained. The market price at which shareholders can sell common shares may not reflect the net asset value of the Company.

Return of Capital and Winding Up following CADRI Sale

The process of voluntarily winding up a public company such as the Company involves significant uncertainties that affect both the amount that can be distributed to

Shareholders and the time to complete the winding-up process. Some of the principal uncertainties relate to the timing and quantum of sale proceeds released from escrow in connection with the G&B, Bach-Simpson and CADRI transactions, the process of obtaining tax clearance certificates and the potential for tax liabilities or other contingent liabilities. In addition, ongoing corporate costs of CADRI (other than costs associated with the Metrolinx contract, which will be for the account of the Buyer) will reduce the amount available for distribution to shareholders and, in the event closing of the CADRI sale is delayed beyond the anticipated closing date of September 2011, these costs will continue to be incurred. Until completion of the winding-up process, the Company will remain a "reporting issuer" under the securities law of certain Canadian provinces and will incur the attendant costs. Accordingly, the amount of cash to be distributed to shareholders cannot currently be quantified with certainty, and shareholders may receive substantially less than their *pro rata* share of the current estimate of the amount available for distribution set forth in the Circular.

Under the *Business Corporations Act* (Alberta) (the "ABCA"), the Company's governing statute, despite the winding up and dissolution of the Company, each shareholder to whom any of the Company's property has been distributed is liable to any person claiming under section 227 of the ABCA to the extent of the amount received by that shareholder upon the distribution, and an action to enforce such liability may be brought. Section 227 of the ABCA provides that, despite the dissolution of the Company, a civil, criminal or administrative action or proceeding may be brought against the Company as if the Company had not been dissolved and provides, among other things, that any property that would have been available to satisfy any judgment or order if the Company had not been dissolved, remains available for such purpose. The potential for shareholder liability regarding a distribution continues until the statutory limitation period for the applicable claim has expired. Under the ABCA, the dissolution of the Company does not remove or impair any remedy available against the Company for any right or claim existing, or any liability incurred, prior to its dissolution or arising thereafter.

Critical Accounting Policies and Estimates

The Company's audited consolidated financial statements for the years ended December 31, 2010 and 2009 were prepared in accordance with Canadian generally accepted accounting principles prior to the adoption of International Financial Reporting Standards ("IFRS"). On January 1, 2011, Global adopted IFRS. The adoption date of January 1, 2011 requires the restatement of the Company's consolidated financial statements for comparative purposes for its quarterly and year ended December 31, 2010 financial statements and the opening balance sheet as at January 1, 2010. Global's Consolidated Interim financial statements for the three and six month periods ended June 30, 2011 and 2010 have been prepared in accordance with IFRS. An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends.

Financial statements prepared in accordance with IFRS require Management to make estimates and assumptions relating to reported amounts of revenue and expenses, reported amounts of assets and liabilities and disclosures of contingent assets and liabilities. Management regularly evaluates the assumptions and estimates that are used in the preparation of the Company's consolidated interim 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 accounting policies and estimates include the following:

Impairment of Assets

Under International Accounting Standard ("IAS") 36, the Company assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. Goodwill would be reviewed for impairment annually or more frequently if there are indications that impairment may have occurred. If any indication of impairment exists, Management estimates the recoverable amount of the asset irrespective of whether there is any indication of impairment. External indicating events include, for example, changes in customer or industry dynamics and other economic declines. Internal indicating events for impairment include lower profitability or planned restructuring.

The Company's impairment tests compare the carrying amount of the asset or cash generating unit ("CGU") to its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. The determination of value in use requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses its judgment, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

As at December 31, 2010 the Company was required to assess its CGUs for impairment. The impairment test was performed by comparing the carrying value and the recoverable amount of the CGU. Under IFRS, the recoverable amount is the higher of

the CGU's fair value less costs to sell (FVLCTS) and value in use (VIU). Fair value is calculated by applying a discount factor to management best estimates of sustainable earnings. Management applied a pre-tax discount factor of 15.5% obtained with the guidance of an independent investment analyst, to calculate the recoverable amounts for the impairment test. Management used a weighted average of expected annual earnings (before interest, income tax, depreciation and amortization of intangible assets, reduced by corporate overhead allocation) to estimate sustainable earnings. Estimates of costs were then deducted to arrive at the FVLCTS. The VIU of the CGU was determined by considering the future expected cash flows over the next five years, with the expected growth rate and estimated terminal value discounted at the risk-adjusted rate. Future expected cash flows were based on historical performance, known trends and capital expenditures. Growth rates were assumed to be 4% and the discount rate of 15.5% was applied.

At December 31, 2010, Global was required to apply the standards under IAS 36 Impairment of Assets based on the January 1, 2010 transition date. The CGU at Global represent the primary operating entity that makes up the remaining business after the sale of GBIH and Bach-Simpson. Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value growth rates and EBITDA. EBITDA is the sum of earnings before interest, income taxes, depreciation and amortization.

Allowance for doubtful accounts

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

Inventory obsolescence

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

Provisions

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

Depreciation and useful lives

In calculating the depreciation to be expensed in the statement of comprehensive income, for property, plant and equipment, Management is required to make estimates of the expected useful life of the Company's assets, the expected residual values of the assets, and the stream of income to be generated by the asset. These estimates are evaluated periodically and adjusted prospectively, where necessary, to reflect actual experience.

Revenue recognition

Costs and estimated earnings on uncompleted contracts in excess of billings represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billings and recognized losses. Cost includes all expenditures related directly to the specific projects and an allocation of fixed and variable overheads incurred based on normal operating capacity. If progress billings exceed costs incurred plus recognized profits, then the difference is presented as costs and estimated earnings on uncompleted contracts in excess of billings in the Consolidated Interim Statements of Financial Position. Revenues for engineering service contracts, production contracts, and 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 labor 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 IFRS such as warranty, environmental remediation, allowance for doubtful account and obsolescence, there are no other critical estimates included in the unaudited consolidated financial statements.

Goodwill

During the third quarter of 2010, the Company's remaining goodwill in the amount of $9 million was disposed of with the sale of G&B and Bach-Simpson. The disposed goodwill related to the Company's original acquisitions of G&B and Bach-Simpson.

New Accounting Standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS would be mandatory in Canada for profit-orientated public accountable entities for fiscal periods beginning on or after January 1, 2011. Our first annual IFRS financial statements were for the year ending December 31, 2011 and included the comparative period of 2010. Starting with the March 31, 2011 quarterly report, we have provided unaudited consolidated quarterly financial information in accordance with IFRS including comparative figures for 2010. Please refer to note 15 our second Quarter Unaudited Interim Consolidated Financial Statements for a summary of the differences between our financial statements previously prepared under Canadian GAAP and to those under IFRS as at January 1, 2010, for the three and six months ended June 30, 2010, and as at and for the year ended December 31, 2010. The Consolidated Interim Financial Statements do not include all of the information required for full annual Consolidated Financial Statements.

IFRS 7, Financial Instruments: Disclosures

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). This amendment enhances this disclosure requirement for transfers of financial assets that result in Derecognition. This amendment is effective for the Company's interim and annual consolidated financial statement commencing January 1, 2012. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 9, Financial Instruments

In October 2010, the IASB amended IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 10, Consolidated Financial Instruments

In May 2011, the IASB issued IFRS 10 Consolidated Financial Instruments ("IFRS 10") which replaces the consolidation requirement of SIC-12 Consolidated-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements, establishes principals for the presentation and preparation consolidated financial statements when an entity controls one or more other entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1,

2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 11, Joint Arrangements

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11") which replaces the guidance in IAS 31, Interests in Joint Ventures, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangements, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosures requirement for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRSs with a single source of fair value measurement guidance. The standard completes the IASBs project to converge fair value measurement in IFRS and United States Generally Accepted Accounting Principles. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

IAS 1, Presentation of Financial Statements

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"). Thus amendment retains the 'one or two statement' approach to presenting the Statement of Income and Comprehensive Income at the option of the entity and only revises the way other comprehensive income is presented. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

The Company intends to adopt these standards and the amendment to the standards noted above in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect these to have a material impact on the financial statements.

Disclosure Controls and Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for designing disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICOFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings ("52-109"), or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Global's DC&P have been designed to provide reasonable assurance that material information relating to Global is made known to the CEO and the CFO by others and that information required to be disclosed by Global in its annual filings, interim filings or other reports filed or submitted by Global under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. On January 1, 2011, Global adopted IFRS as its framework for financial reporting. In connection with the adoption of IFRS, Global updated its internal controls over financial reporting, as necessary, to facilitate the respective IFRS convergence and transition activities performed. Other than the adoption of IFRS, no other significant changes in internal controls over financial reporting occurred during the period ended June 30, 2011. Our ICOFR have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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.

Because of their inherent limitations, DC&P and ICOFR may not prevent or detect all misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met.

As of June 30, 2011, Global's Management, with the participation of the CEO and the CFO, have evaluated the effectiveness of the Company's ICOFR and concluded they are not effective based on such evaluations. Accordingly the Company has concluded that

the disclosure controls and procedures are also not effective. In connection with this assessment, 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 less heavily on the use of accounting spreadsheets to generate the Company's quarterly and annual financial reporting. However, some financial information requires detailed analysis, including consolidation spreadsheets and the segregation between continuing and discontinued operations Global employs spreadsheets. 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 reviews the extent to which accounting spreadsheets are used to generate the Company's quarterly and annual financial reporting, and are integrating trial balance and record keeping for all companies within one standard software. However, due to the complexity of the Company's financial reporting, reliance on 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 IFRS and Canadian tax regulations. The Company's Chief Financial Officer is responsible for IFRS and Canadian tax regulations. 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.

4. CADRI

On November 14, 2007, Global acquired the business assets and net working capital of CADRI. During the fiscal year ended December 31, 2008, 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.

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. 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. During the quarter ended March 31, 2011, one of the two inventory databases were integrated in-to CADRI's new accounting system to manage purchases, inventory receipts and sales orders for the engine and services divisions. This integration has significantly improved the tracking of inventory movements. Work continues to integrate the remaining databases.

The new system enables 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.

<u>Accounting for Accounts Payable and Accrued Liabilities</u>

During the first quarter of 2011, 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 module of the new accounting system. The purchasing module is currently in use in the engine department. It has greatly improved the validation of vendor invoices against approved purchase orders and receiving documents as well as the tracking of accrued expenses.

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 the second quarter 2011. 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 still rely on the use of accounting spreadsheets to generate monthly financial reports and consolidated results since the implementation of the new accounting software. Management believes the use of spreadsheets for supplementary analysis has not resulted in a misstatement of the financial statements.

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. As mentioned previously, one of the two inventory databases has been integrated into the 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, 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 June 30, 2011 consolidated interim financial statements are presented fairly 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. The use of any of the words "expect", "anticipate", "continue", "objective", "will", "should", "believe", "plan", "intend", "ongoing", "estimate", "may", "project" or similar expressions are intended to identify forward-looking statements. 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.

Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, Global has made the following assumptions:

- its intention is to use working capital, and the anticipated cash generated from operating activities in 2011 to finance ongoing working capital requirements and its 2011 capital expenditures budget and this assumption is based on Global's belief that its access to cash will exceed its expected requirements; and

- that the overall economy will continue to grow, albeit at a slower pace than over the last number of quarters, and that Global would continue to be a beneficiary of these favorable market fundamentals.

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, 2010 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. As at June 30, 2011, these business risks and uncertainties have not changed significantly from the description.

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.

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.

GLOBAL RAILWAY INDUSTRIES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

DIRECTORS	**CORPORATE OFFICE**
Thomas Dea [1] Chairman of the Board **Laurie Bennett, CA** [1] Chair, Audit Committee **Jacques Cote** [1] **Alan Sellery** **OFFICERS** **Fausto Levy** Acting President & Chief Executive Officer **Ross Corcoran, MBA** Vice President Finance, Chief Financial Officer & Secretary	**Global Railway Industries Ltd.** **Administrative Public company** 155 Montreal-Toronto Blvd, Lachine, Quebec, H8S 1B4 Phone (514) 634-3131, Ext. 136 Fax (514) 634-3932 Email info@globalrailway.com Web site: www.globalrailway.com **BANKERS** BMO – Montreal, Quebec HSBC Bank Canada – Montreal, Quebec **AUDITORS** KPMG LLP London, Ontario **LEGAL COUNSEL** Davies Ward Phillips & Vineberg LLP Montreal, Quebec Toronto, Ontario **TRANSFER AGENT** Computershare Trust Company of Canada 600, 530 - 8th Avenue S.W. Calgary, Alberta T2P 3S8 Phone 1-800-564-6253 **STOCK EXCHANGE** Toronto Stock Exchange Symbol: GBI

[1] Member of Audit Committee