

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the year ended September 30, 2024

General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of January 28, 2025 of the financial position of the Company and results of operations for the year ended September 30, 2024 and should be read in conjunction with the audited consolidated financial statements of Railtown AI Technologies Inc. ("Railtown" or the "Company") for the year ended September 30, 2024. The audited consolidated financial statements have been prepared in accordance IFRS Accounting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

All amounts are expressed in Canadian Dollars unless otherwise indicated.

Description of business

The Company was incorporated under the Business Corporations Act (British Columbia) on May 11, 2011 and was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The Company did not complete its IPO at that time, maintained its reporting issuer status, and was no longer classified as a Capital Pool Company. On August 15, 2019, the Company changed its name to Railtown AI Technologies Inc. On November 1, 2019, the Company entered into a Technology Transfer Agreement, acquiring from certain vendors the rights to software technology, the development and subsequent commercialization of which became the Company's ongoing business.

The head office of the Company is located at Unit 104, 8337 Eastlake Drive, Burnaby, British Columbia, V5A 4W2. The registered office of the Company is located at 3148 Highland Boulevard, North Vancouver, British Columbia, V7R 2X6.

Railtown has developed a proprietary Application General Intelligence model (Conductor).

Railtown AGI Conductor I

- Ingestion of all forms of development and application data (Tickets to Builds and Deployments to Logs)
- Development of an AGI Model that understands all aspects of software development. It is always available to assist users by answering questions related to their project, automate simple tasks like progress reports, release notes, onboarding, and can also understand and make sense of events like bug discovery, root cause understanding, and ticket matching.

Railtown AGI Conductor II

- Railtown AGI model integrates with all data sources and can streamline, manage and automate all aspects of development and the Continuous Integration and Continuous Deployment {CI/CD} process.
- Not only can it understand and respond to information ingested into the model(Conductor), but also it can act by pushing data and decisions back into the integrations, for example: generate tickets automatically, write and test bug fixes, update infrastructure settings, etc.
- Working towards complete automation of the entire process through additional integrations such as code co- pilots and infrastructure and deployment management. Multi-step reasoning and higher order insights, increased efficiency and increased velocity.

Railtown AGI Conductor III

- Additional Functionality is focused around source code integration and understanding actions and orchestrating sequences of actions to accomplish specific goals to improve developer and team productivity. The functionality will enable teams to identify and resolve issues earlier in the development process and move quicker.

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- The Conductor will be able to pin-point specific root causes of encountered errors within the code base, associated library dependencies or deployment environment. It will be able analyse the source code and identify some potential bugs before the code is even deployed. Once deployed, if an error were to be encountered, it can automate tasks and processes associated with fixing the error, including suggesting potential code changes that may fix the error, automatically generating pull requests and associated documentation for the fix, and then automatically spinning up a custom test environment to verify that the fix has indeed solved the problem.

Deep Application Understanding

The system continually trains on a client's application to understand its functionalities, workflows, and underlying architecture. It also provides comprehensive knowledge to stakeholders, from developers to C-level management, through natural language prompts.

Task Automation

The system automates a wide range of tasks associated with the client's application, from routine and repetitive processes to more complex workflows. This automation capability can significantly increase efficiency, team velocity while improving documentation, technical debt and reducing manual effort.

Adaptive Learning

The system learns from and adapts based on user interactions and changes in the application environment. This adaptive learning enables the system to continually improve its performance and remain up to date with any application modifications or updates.

Monitoring and Reporting

The system monitors its own performance and provides detailed reports on automated tasks, including generating executive summaries of any deployment, completed ticket sets, documentation and technical debt.

Forward Looking Statements

This MD&A may contain forward-looking statements based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as "plans", "intends", "anticipates", "should", "estimates", "expects", "believes", "indicates", "suggests" and similar expressions.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations as January 28, 2025.
- Readers are cautioned not to place undue reliance on these statements as the Company's actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company's estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.
- The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

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Going Concern

As at September 30, 2024, the Company is not able to finance day to day activities through operations. The Company is in the business of research and development that by its nature involves a high degree of risk. There can be no assurance that the Company's business and strategy will enable it to become profitable or sustain profitability in future periods. The Company's information technology systems are subject to disruption, damage or failure from a number of sources. This may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance operating costs with loans from directors and companies controlled by directors and or private placement of common shares. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

Liquidity and Capital Resources

As at September 30, 2024, the Company had a working capital of \$481,047 (2023 – \$1,102,021).

During the year ended September 30, 2024, the Company had the following cash flows:

- i) cash used in operating activities of \$5,717,045 (2023 – \$2,428,928) relating to the statement of comprehensive loss adjusted for non-cash items.
- ii) cash used in investing activities of \$12,814 (2023 – \$13,626) relating to purchase of equipment and furniture.
- iii) cash provided by financing activities of \$6,725,440 (2023 – \$2,437,020) related to proceeds from private placements and exercise of warrants.

As such, at September 30, 2024, the Company had cash on hand of \$1,668,521 (2023 - \$672,940).

Contractual Obligations

Leased Office

The Company is committed to a 5-year agreement for an office space located at suite 490 – 580 Hornby Street, until May 2027.

Proposed Transactions

The Company does not currently have any proposed transactions approved by the Board of Directors.

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Off-Balance Sheet Arrangements

The Company has not entered into any material off-balance sheet arrangements such as guarantee contracts, contingent interests in assets transferred to unconsolidated entities, derivative financial obligations, or with respect to any obligations under a variable interest equity arrangement.

Results of Operations for the year ended September 30, 2024

For the year ended September 30, 2024, the Company had a net loss of \$7,087,598 (2023 - \$2,193,977).

The significant differences between the two fiscal years include:

- Consulting fees of \$974,245 (2023 - \$128,933) increased due to additional consultants engaged in areas related to Corporate Finance, Software Development, and AI during the current year.
- Filing fees of \$104,686 (2023 - \$34,887) increased primarily due to listing fees and fees from service providers involved in the Company's OTCQB listing during the current year.
- Loss on change in fair value of warrants of \$746,820 (2023 - \$Nil) increased primarily due to the revaluation of the derivative liability associated with the unit warrants during the current year.
- Investor relations of \$1,312,569 (2023 - \$70,833) increased primarily due to the Company's efforts to promote investor relationships to facilitate financing opportunities and awareness in support of its US listing during the current year.
- Accretion and interest on convertible debenture of \$52,043 (2023 - \$82,303) decreased primarily due to the full conversion of the convertible debenture during the current year.
- Marketing and promotion of \$1,418,496 (2023 - \$144,448) increased primarily due to the Company's concentrated efforts to increase market awareness of their products during the current year.
- Professional fees of \$148,960 (2023 - \$276,941) decreased primarily due to fewer legal services rendered during the current year.
- Office expenses of \$203,725 (2023 - \$78,403) increased due to increased overall activities during the current year.
- Product development of \$435,746 (2023 - \$165,769) increased use of outsourced front-end developers during the current year.
- Share-based compensation of \$114,364 (2023 - \$150,071) decreased due to fewer options vested in the current year.
- Salaries of \$1,418,436 (2023 - \$981,960) increased due to the growth of the Company's team of developers during the current year.

Results of Operations for the three months ended September 30, 2024

For the three months ended September 30, 2024, the Company had a net loss of \$2,998,414 (2023 - \$677,201).

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The significant differences between the two fiscal periods include:

- Consulting fees of \$305,333 (2023 - \$48,617) increased due to additional consultants engaged in areas related to Corporate Finance, and AI during the current period.
- Loss on change in fair value of warrants of \$135,738 (2023 - \$Nil) primarily increase due to the revaluation of the derivative liability associated with the unit warrants issued during the current period.
- Investor relations of \$456,264 (2023 - \$70,833) increased primarily due to the Company's efforts to promote investor relationships to facilitate financing opportunities during the current period.
- Marketing and promotion of \$1,391,372 (2023 - \$25,652) increased primarily due to the Company's efforts to increase market awareness of its products during the current period.
- Office expenses of \$61,572 (2023 - \$23,600) increased due to increased overall activities during the current period.
- Product Development of \$114,692 (2023 - \$74,676) increased due to higher use of outsourced front-end developers during the current period.
- Share-based compensation of \$20,270 (2023 - \$119,611) decreased due to fewer options vested/granted in the current period.
- Salaries of \$356,596 (2023 - \$330,361) increased due to the growth of the Company's team of developers during the current period.

Selected Annual Information

	September 30, 2024	September 30, 2023	September 30, 2022
Revenue	\$ -	\$ -	\$ -
Loss for the Year	\$ 7,087,598	\$ 2,193,977	\$ 1,390,744
Net Loss / Share	\$ (0.07)	\$ (0.03)	\$ (0.02)
Total Assets	\$ 2,187,383	\$ 1,399,767	\$ 924,024
Working Capital	\$ 481,047	\$ 1,102,021	\$ 607,661

Fourth Quarter

The Company did not have any significant transactions during the quarter ended September 30, 2024.

Quarterly Information

The following table sets forth selected financial information prepared by management of the Company:

Period	Jul 1 – Sep 30/24	Apr 1 – Jun 30/24	Jan 1 – Mar 31/24	Oct 1 – Dec 31/23
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the Period	\$ 2,998,414	\$ 2,241,403	\$ 1,087,062	\$ 760,719
Net Loss / Share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 1,668,521	\$ 1,924,099	\$ 1,925,982	\$ 107,392
Current Assets	\$ 2,075,367	\$ 2,286,059	\$ 2,219,970	\$ 527,485
Working Capital	\$ 481,047	\$ 795,861	\$ 2,015,275	\$ 364,429

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Period	Jul 1 – Sep 30/23	Apr 1 – Jun 30/23	Jan 1 – Mar 31/23	Oct 1 – Dec 31/22
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the Period	\$ 677,201	\$ 522,134	\$ 536,610	\$ 458,032
Net Loss / Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 672,940	\$ 1,878,644	\$ 392,094	\$ 769,485
Current Assets	\$ 1,254,840	\$ 1,910,944	\$ 427,969	\$ 849,468
Working Capital	\$ 1,102,021	\$ 1,729,230	\$ 214,036	\$ 675,020

During the quarter ended December 31, 2022, the Company had a loss of \$458,032 (September 30, 2022 – \$417,940) the increase was primarily due to marketing of \$50,322, professional fees of \$63,524 and office expense of \$66,756 during the quarter.

During the quarter ended March 31, 2023, the Company had a loss of \$536,610 (December 31, 2022 – \$458,032) the increase was primarily due to marketing of \$62,308, professional fees of \$63,733 and financing charges on convertible debenture of \$23,387 during the quarter.

During the quarter ended June 30, 2023, the Company had a loss of \$522,134 (March 31, 2023 – \$536,610) the decrease was primarily due to professional fees of \$83,354 and financing charges on convertible debenture of \$27,625 during the quarter.

During the quarter ended September 30, 2023, the Company had a loss of \$677,201 (June 30, 2023 – \$522,134). The increase was primarily due to consulting fees of \$48,617 and salaries of \$330,361 during the quarter.

During the quarter ended December 31, 2023, the Company had a loss of \$760,719 (September 30, 2023 – \$677,201). The increase was primarily due to consulting fees of \$71,613 and salaries of \$321,022 during the quarter.

During the quarter ended March 31, 2024, the Company had a loss of \$1,087,062 (December 31, 2023 – \$760,719). The increase was primarily due to consulting fees of \$312,934 and salaries of \$359,055 during the quarter.

During the quarter ended June 30, 2024, the Company had a loss of \$2,241,403 (March 31, 2024 – \$1,087,062). The increase was primarily due to consulting fees of \$284,662, salaries of \$381,763, and loss on change in fair value of warrants of \$611,082 during the quarter.

During the quarter ended September 30, 2024, the Company had a loss of \$2,998,414 (June 30, 2024 – \$2,241,403). The increase was primarily due to consulting fees of \$305,333, salaries of \$356,596, and investor relations of \$456,264 and marketing of \$1,391,372 during the quarter.

Related Party Transactions

During the year ended September 30, 2024, the Company paid or accrued:

- salaries of \$416,870 (2023 - \$348,271) paid or accrued to directors and officers of the Company, and
- consulting fees of \$50,000 (2023 - \$Nil) paid or accrued to a company associated with a director of the Company.

During the year ended September 30, 2024, the Company granted a loan of \$35,000 to a director of the Company at a rate of 5% per annum with maturity at April 29, 2025. As of September 30, 2024, receivables include a loan of \$35,000 (2023 - \$Nil). The loan is secured by shares of a publicly traded company.

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As at September 30, 2024, trade payables and accrued liabilities include \$47,250 (2023 – \$Nil) owing to related parties.

The amount due to related parties is unsecured, non-interest bearing and has no specific terms of repayment.

Financial Instruments

Readers should refer to the September 30, 2024 audited consolidated financial statements on www.sedarplus.ca for additional details.

Recently adopted accounting policies and future accounting pronouncements

Please refer to the September 30, 2024 audited consolidated financial statements on www.sedarplus.ca for all recently adopted accounting policies and future accounting pronouncements.

Share Capital

Authorized capital:

Unlimited number of common shares without par value

Issued and outstanding:

138,958,497 common shares as at the date of this MD&A.

Options:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
March 15, 2026	\$0.25	1,900,000	1,900,000
May 13, 2026	\$0.25	125,000	125,000
February 9, 2028	\$0.25	1,250,000	1,160,000
November 1, 2028	\$0.25	1,100,000	310,000
November 22, 2029	\$0.50	2,800,000	1,950,000
		<u>7,175,000</u>	<u>5,445,000</u>

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Warrants:

There following warrants are outstanding as at the date of this MD&A:

Expiry Date	Exercise Price	Number of Warrants Outstanding
November 16, 2025	\$0.30	1,283,975
November 16, 2025	\$0.15	202,079
December 7, 2025	US\$0.24	2,640,750
January 12, 2026	US\$0.42	3,500,000
January 12, 2026	US\$0.21	519,618
February 15, 2026	\$0.30	75,000
February 15, 2026	\$0.15	14,167
February 28, 2026	\$0.30	6,422,800
February 28, 2026	\$0.15	1,488,000
March 1, 2026	\$0.30	598,500
March 1, 2026	\$0.15	143,394
June 21, 2026	\$0.25	3,776,666
June 21, 2026	\$0.15	369,135
June 27, 2026	\$0.25	1,027,000
June 27, 2026	\$0.15	53,520
December 9, 2026	\$0.60	3,500,000
December 9, 2026	\$0.30	545,602
June 7, 2029	US\$0.125	262,666
		<u>26,422,872</u>

Fully diluted:

172,556,369 common shares as at the date of this MD&A.