Railtown AI Technologies Inc.
(Formerly Railtown Capital Corp.)

Financial Statements

Years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Railtown AI Technologies Inc.

Opinion

We have audited the financial statements of Railtown AI Technologies Inc. ("the Company"), which comprise the statement of financial position as at September 30, 2019 and the statements of comprehensive income (loss), changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements which describes the material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of Railtown AI Technologies Inc. for the year ended September 30, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on January 30, 2019.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
January 27, 2020

RAILTOWN AI TECHNOLOGIES INC.
(Formerly Railtown Capital Corp.)
Statements of Financial Position
(Expressed in Canadian dollars)
As at September 30,

	2019	2018
Assets		
Current assets		
Cash	$ 63,346	$ 2,440
Prepaid expense	2,782	-
	$ 66,128	$ 2,440
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Trade payables and accrued liabilities *(Note 3)*	$ 13,764	$ 18,034
Due to related parties *(Note 4)*	1,722	129,596
	15,486	147,630
Shareholders' equity (deficiency)		
Share capital *(Note 5)*	315,647	120,000
Deficit	(265,005)	(265,190)
	50,642	(145,190)
	$ 66,128	$ 2,440

Nature of operations *(Note 1)*
Subsequent events *(Note 9)*

Approved on behalf of the Board on January 27, 2020

"Cory Brandolini"	*"Paul Woodward"*
Director	Director

RAILTOWN AI TECHNOLOGIES INC.
(Formerly Railtown Capital Corp.)
Statements of Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Years ended September 30, 2019	2018
Expenses		
Bank charges	$ 187	$ 323
Consulting fees (Note 4)	15,350	25,200
Filling fees	3,742	3,016
Office	7,628	2,346
Professional fees	18,201	12,732
Rent (Note 4)	2,057	1,500
Travel	70	-
	30,835	(45,117)
Other income		
Gain on shares for debt settlement (Notes 4 & 5)	(47,420)	-
Net and comprehensive income (loss) for the year	$ 185	$ (45,117)
Weighted average number of common shares outstanding – basic and diluted	435,150	141,938
Basic and diluted earnings (loss) per common share	$ 0.00	$ (0.32)

See accompanying notes to the financial statements.

RAILTOWN AI TECHNOLOGIES INC.

(Formerly Railtown Capital Corp.)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years ended September 30, 2019	2018
Operating activities:		
Net income (loss) for the year	$ 185	$ (45,117)
Items not involving cash:		
Gain on shares for debt settlement	(47,420)	-
Changes in non-cash working capital items:		
Prepaid expense	(2,782)	-
Trade payables and accrued liabilities	15,923	(26,690)
Due to related parties	-	26,700
Net cash used in operating activities	(34,094)	(45,107)
Financing activities:		
Proceeds – issuance of shares	95,000	20,000
Advances from related parties	-	26,818
Net cash provided by financing activities	95,000	46,818
Change in cash	60,906	1,711
Cash, beginning of the year	2,440	729
Cash, end of the year	$ 63,346	$ 2,440
Supplemental cash flow information		
Shares for debt	$ 100,647	$ -

See accompanying notes to the financial statements.

RAILTOWN AI TECHNOLOGIES INC.

(Formerly Railtown Capital Corp.)

Statement of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Share capital			
	Shares	Amount	Deficit	Total
Balance, September 30, 2017	86,896	$ 100,000	$ (220,073)	$ (120,073)
Private placement	69,516	20,000	-	20,000
Net and comprehensive loss	-	-	(45,117)	(45,117)
Balance, September 30, 2018	156,412	120,000	(265,190)	(145,190)
Private placement	4,052,138	95,000	-	95,000
Shares for debt settlement	5,032,332	100,647	-	100,647
Net and comprehensive income	-	-	185	185
Balance, September 30, 2019	9,240,882	$ 315,647	$ (265,005)	$ 50,642

See accompanying notes to the financial statements.

1. Nature of operations

Railtown AI Technologies Inc. (formerly Railtown Capital Corp.) (the "Company" or ""Railtown") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on May 11, 2011.

The head office, principal address and the registered and records office of the Company are located at Unit 104, 8337 Eastlake Drive, Burnaby, British Columbia, Canada.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2019, the Company is not able to finance day to day activities through operations and incurs losses. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity and to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about 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. These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Effective August 23, 2019, the Company changed its name from Railtown Capital Corp. to Railtown AI Technologies Inc. as part of a rebranding initiative to better align the Company's name and image with its anticipated new business operations. Concurrently, the Company consolidated its common share on a 5.754:1 basis. These financial statements have been retrospectively adjusted for this consolidation.

2. Significant accounting policies and basis of presentation

Statement of compliance

These financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accompanying financial statements have been prepared by and are the responsibility of the management.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The financial statements are presented in Canadian dollars unless otherwise noted.

Significant estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability and measurement of deferred tax assets.

2. Significant accounting policies and basis of presentation (continued)

Significant judgments

The preparation of the financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of October 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for any assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

2. Significant accounting policies and basis of presentation (continued)

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

2. Significant accounting policies and basis of presentation (continued)

The Company's financial assets and liabilities are recorded and measured as follows:

Asset or liability	Category	Measurement
Cash	FVTPL	Fair value
Trade payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

Income taxes

Current income tax:
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:
Deferred income tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. Significant accounting policies and basis of presentation (continued)

New accounting standards issued not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

New standard IFRS 16 "Leases"
This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. Overall, the Company does not expect the implementation of IFRS 16 to have a significant impact on its financial statements.

3. Trade payables and accrued liabilities

	September 30, 2019	September 30, 2018
Trade payables	$ 8,654	$ 11,924
Accrued liabilities	5,110	6,110
Trade payables and accrued liabilities	$ 13,764	$ 18,034

4. Related party transactions

The following loans are from Conation Capital Corp. and related companies, who have directors in common with the Company. The payables are unsecured, non-interest bearing with no specific terms of repayment.

	Due to related parties
Balance at September 30, 2017	$ 76,078
Additions	53,518
Balance at September 30, 2018	129,596
Issuance of 5,032,332 common shares	(127,874)
Balance at September 30, 2019	$ 1,722

During the year ended September 30, 2019, the Company incurred consulting fees of $15,350 (2018 - $25,200) and rent expenses of $2,057 (2018 - $1,500) to a corporation controlled by a director of the Company.

During the year ended September 30, 2019, the Company issued 5,032,332 common shares valued at $100,647 to settle outstanding indebtedness of $148,067, of which $127,874 indebtedness was owed to a corporation controlled by a director of the Company.

5. Share capital

Authorized

Unlimited number of common shares without par value.

Shares issued

During the year ended September 30, 2019, the Company:

Effective August 23, 2019, the Company consolidated its common share on a 5.754:1 basis. These financial statements have been retrospectively adjusted for this consolidation.

i) closed a private placement of 52,138 common shares for gross proceeds of $15,000.

ii) issued 5,032,332 common shares valued at $100,647 to settle outstanding indebtedness of $148,067, which resulted in a gain of $47,420.

iii) closed a private placement of 4,000,000 common shares at a price of $0.02 per share for gross proceeds of $80,000.

During the year ended September 30, 2018, the Company closed a private placement of 69,516 common shares for gross proceeds of $20,000.

Stock options

At September 30, 2019, there were no stock options outstanding.

6. Financial instruments

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates only in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. The Company is exposed to interest rate risk as its bank account earns interest income at variable rates. The income earned on the bank account is subject to the movements in interest rates. Management considers the risk to be minimal.

6. Financial instruments (continued)

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

7. Capital disclosure

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital.

In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the year ended September 30, 2019.

8. Income taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	Year ended September 30, 2019	Year ended September 30, 2018
Net income (loss)	**$ 185**	$ (45,117)
Statutory tax rate	**27%**	26%
Expected income tax recovery	**50**	(11,730)
Effects of tax rate change	**(2,090)**	-
Change in unrecognized deferred tax assets	**2,040**	11,730
Actual income tax recovery	**$ -**	$ -

The Company has the following tax effected deductible temporary differences for which no deferred tax asset has been recognized:

	September 30, 2019	September 30, 2018
Non-capital loss carry-forwards	**$ 56,000**	$ 68,647
Total deferred tax assets	**56,000**	68,647
Unrecognized deferred tax assets	**(56,000)**	(68,647)
Net deferred income tax assets	**$ -**	$ -

At September 30, 2019, the company has approximately $209,000 non-capital losses available, which expire in the years 2032 to 2039.

9. Subsequent Events

Subsequent to September 30, 2019, the Company:

i) entered into a technology transfer agreement with a group of vendors to acquire the rights to certain software technology, the development and subsequent commercialization of which is expected to become the Company's ongoing business.

   Pursuant to the technology transfer agreement and in consideration for acquiring the technology, the Company issued 50,000,000 common shares with a deemed price of $0.02 per share. The shares are subject to a standard hold period of four months and a day in accordance with applicable securities laws.

ii) completed a private placement of 300,000 common shares at a price of $0.10 for aggregated gross proceeds of $30,000.

iii) completed a private placement of 1,400,000 common shares at a price of $0.10 for aggregated gross proceeds of $140,000.