Railtown AI Technologies Inc.

Condensed Interim Financial Statements

Six months ended March 31, 2020 and 2019

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

NOTICE OF READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the management. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"), consistent with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	March 31, 2019	September 30, 2019
Assets		
Current assets		
Cash	$ 165,437	$ 63,346
Receivables	3,275	-
Prepaid expense	2,950	2,782
	171,662	66,128
Equipment *(Note 3)*	16,531	-
Intangible asset *(Note 4)*	1,000,000	-
	$ 1,188,193	$ 66,128
Liabilities and Shareholders' Equity (Deficiency)		
Current liabilities		
Trade payables and accrued liabilities *(Note 5)*	$ 23,674	$ 13,764
Due to related parties *(Note 6)*	-	1,722
	23,674	15,486
Shareholders' equity (deficiency)		
Share capital *(Note 7)*	1,587,647	315,647
Deficit	(423,128)	(265,005)
	1,164,519	50,642
	$ 1,188,193	$ 66,128

Nature of operations *(Note 1)*
Subsequent event *(Note 10)*

Approved on behalf of the Board on May 25, 2020

"Cory Brandolini"
Director

"Paul Woodward"
Director

See accompanying notes to the condensed interim financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statements of Comprehensive Income (Loss)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Three months ended March 31, 2020	Three months ended March 31, 2019	Six months ended March 31, 2020	Six months ended March 31, 2019
Expenses				
Bank charges	$ 232	$ 48	$ 253	$ 84
Consulting fees (Note 6)	-	9,300	-	15,600
Depreciation (Note 3)	1,759	-	2,234	-
Filling fees	4,503	3,490	6,533	3,490
Office	12,704	1,106	18,253	2,111
Professional fees	21,683	7,333	33,683	9,667
Rent (Note 6)	3,141	787	9,337	787
Salaries (Note 6)	73,541	-	82,116	-
Travel	387	-	5,714	-
Net and comprehensive loss for the period	$ (117,950)	$ (22,064)	$ (158,123)	$ (31,739)
Weighted average number of common shares outstanding – basic and diluted	60,923,266	1,001,087	51,343,498	951,099
Basic and diluted earnings (loss) per common share	$ (0.00)	$ (0.02)	$ (0.00)	$ (0.02)

See accompanying notes to the condensed interim financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Six months ended March 31, 2020	2019
Operating activities:		
Net loss for the period	$ (158,123)	$ (31,739)
Items not involving cash:		
Depreciation	2,234	-
Changes in non-cash working capital items:		
Receivables	(3,275)	-
Prepaid expense	(168)	-
Trade payables and accrued liabilities	9,910	4,583
Due to related parties	(1,722)	12,337
Net cash used in operating activities	(151,144)	(14,819)
Investing activities:		
Purchase of equipment	(18,765)	-
Net cash used in investing activities	(18,765)	-
Financing activities:		
Proceeds – private placements	272,000	15,000
Net cash used in financing activities	272,000	15,000
Change in cash	102,091	181
Cash, beginning of the period	63,346	2,440
Cash, end of the period	$ 165,437	$ 2,621
Supplemental cash flow information		
Acquisition of intangible asset – software technology	$ 1,000,000	$ -

See accompanying notes to the condensed interim financial statements.

RAILTOWN AI TECHNOLOGIES INC.
Condensed Interim Statement of Changes in Shareholders' Equity (Deficiency)
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	Share capital			
	Shares	Amount	Deficit	Total
Balance, September 30, 2018	156,405	$ 120,000	$ (265,190)	$ (145,190)
Private placement	52,138	15,000	-	15,000
Net and comprehensive loss	-	-	(31,739)	(31,739)
Balance, March 31, 2019	208,543	135,000	(296,929)	(161,929)
Private placement	4,000,000	80,000	-	80,000
Shares for debt settlement	5,032,332	100,647	-	100,647
Net and comprehensive income	-	-	31,924	31,924
Balance, September 30, 2019	9,240,875	315,647	(265,005)	50,642
Acquisition of technologies	50,000,000	1,000,000	-	1,000,000
Private placements	2,720,000	272,000	-	272,000
Net and comprehensive loss	-	-	(158,123)	(158,123)
Balance, March 31, 2020	61,960,875	$ 1,587,647	$ (423,128)	$ 1,164,519

1. Nature of operations

Railtown AI Technologies Inc. (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 condensed interim 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 March 31, 2020, 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 condensed interim financial statement have been retrospectively adjusted for this consolidation.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. Significant accounting policies and basis of presentation

Statement of compliance

These unaudited condensed interim 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 in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

The policies applied in the condensed interim financial statements are presented below and are based on IFRS' issued and outstanding as of May 25, 2020; the date the Board of Directors approved the condensed interim financial statements. Any subsequent changes to IFRS that are given effect in our annual financial statements for the year ending September 30, 2020 could result in restatements of these condensed interim financial statements. None of these standards are expected to have a significant effect on the condensed interim financial statements.

Basis of preparation

The condensed interim 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.

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

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.

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.

Equipment

Equipment are recorded at cost and depreciated using the declining balance method at the following rates per annum.

General purpose computer	55% per annum
Equipment	20% per annum

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, deprecation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance

Intangible assets

Identifiable intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is valued at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss.

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

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.

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.

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

Financial instruments (continued)

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.

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

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

Financial instruments (continued)

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

<u>Current income tax:</u>
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.

<u>Deferred income tax:</u>
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.

(Expressed in Canadian Dollars)

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

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 implementation of IFRS 16 does not have a significant impact on its financial statements.

3. Equipment

	Computer	Furnitures	Total
Cost			
Balance, September 30, 2019 and 2018	$ -	$ -	$ -
Additions	14,817	3,948	18,765
Balance, March 31, 2020	$ 14,817	$ 3,948	$ 18,765
Accumulated depreciation			
Balance, September 30, 2019 and 2018	$ -	$ -	$ -
Additions	2,037	197	2,234
Balance, March 31, 2020	$ 2,037	$ 197	$ 2,234
Carrying amounts			
Balance, September 30, 2019	$ -	$ -	$ -
Balance, March 31, 2020	$ 12,780	$ 3,751	$ 16,531

4. Intangible assets

	Intangible asset – software technology
Cost	
Balance, September 30, 2019 and 2018	$ -
Additions	1,000,000
Balance, March 31, 2020	$ 1,000,000
Carrying amounts	
Balance, September 30, 2019	$ -
Balance, March 31, 2020	$ 1,000,000

(Expressed in Canadian Dollars)

4. Intangible assets (continued)

During the period ended March 31, 2020, the Company 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 valued at $1,000,000. The intangible asset, comprising of a cloud-based platform to support efficient software development, the software platform to support for, have not been amortized as it is not available for use.

5. Trade payables and accrued liabilities

		March 31, 2020		September 30, 2019
Trade payables	$	17,462	$	8,654
Accrued liabilities		6,212		5,110
Trade payables and accrued liabilities	$	23,674	$	13,764

6. Related party transactions

The following loans from 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, 2018	$	129,596
Issuance of 5,032,332 common shares		(127,874)
Balance at September 30, 2019		1,722
Repayment		(1,722)
Balance at March 31, 2020	$	-

During the six months ended March 31, 2020, the Company paid or accrued:

- consulting fees of $Nil (2019 - $15,600) and rent expenses of $9,337 (2019 - $787) to a corporation which has a director in common with the Company.
- marketing fees, included in office, of $4,775 (2019 - $Nil) paid or accrued to a company related to a director of the Company.
- salaries of $66,007 (2019 - $Nil) paid or accrued to directors and officers 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 which has a director in common with the Company.

7. Share capital

Authorized

Unlimited number of common shares without par value.

Shares issued

During the period ended March 31, 2020, the Company:

i) issued 50,000,000 common shares, valued at $1,000,000, pursuant to the acquisition of software technology (Note 4).

ii) closed a private placement of 2,720,000 common shares at a price of $0.10 per share for gross proceeds of $272,000.

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

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.

Stock options

At March 31, 2020, there were no stock options outstanding.

8. 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.

8. Financial instruments (continued)

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.

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.

9. 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 period ended March 31, 2020.

10. Subsequent Event

Subsequent to March 31, 2020, the Company:

i) completed a private placement of 1,470,000 common shares at a price of $0.10 for aggregated gross proceeds of $147,000.