

# RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2020

## General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of January 26, 2021 of the financial position of the Company and results of operations for the year ended September 30, 2020 and should be read in conjunction with the financial statements of Railtown AI Technologies Inc. (formerly Railtown Capital Corp.) ("Railtown" or the "Company") for the year ended September 30, 2020. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the 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 chose to not complete its IPO and is no longer classified as a Capital Pool Company.

On November 1, 2019, Railtown AI Technologies Inc. entered into a technology transfer agreement (the "TTA") with a group of vendors to acquire the rights to certain software technology, the development and subsequent commercialization of which has become the Company's ongoing business. Pursuant to the TTA and in consideration for acquiring the technology, the Company paid the vendors \$1,000,000 in the form of 50,000,000 common shares in the capital of Railtown.

The Company's software uses proprietary, state-of-the-art artificial-intelligence data science deployed as an "AI-as-a-Service" cloud-based platform, to support efficient software development at scale, by deriving operational insights and optimization in the development process.

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. The Company does not have any subsidiaries.

## 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 26, 2021.
- 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.

# **RAILTOWN AI TECHNOLOGIES INC.**

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2020

## **Going Concern**

As at September 30, 2020, the Company is not able to finance day to day activities through operations. The continuing operations of the Company are dependent upon its ability to identify a viable business opportunity. 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. 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.

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.

## **Liquidity and Capital Resources**

As at September 30, 2020, the Company had a working capital of \$231,763 (2019 – \$50,642) as a result of expenses incurred during the period. As at September 30, 2020, the Company had cash on hand of \$251,346 (2019 - \$63,346).

## **Contractual Obligations**

The Company has no contractual obligations.

## **Proposed Transactions**

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

## **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, 2020**

For the year ended September 30, 2020, the Company had a net loss of \$1,433,991 (2019 – income of \$185).

The significant differences between the two periods include:

- Impairment of intangible assets of \$1,000,000 (2019 - \$nil) due to uncertainty in the Company's ability to create economic benefit from the acquired technology.
- Consulting fees of \$32,000 (2019 - \$15,350) due to increased business operation services rendered during the current year commensurate with beginning operations.
- Office of \$24,352 (2019 - \$7,628) due to increased activities during the current year.
- Professional fees of \$49,033 (2019 - \$18,201) due to legal fees related to the acquisition of software technologies and increased capital raising activities during the current year.

## RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2020

- Rent of \$19,051 (2019 - \$2,057) due to office space provided by a company which has a director in common with the Company during the current year.
- Salaries of \$290,233 (2019 - \$Nil) due the commencement of operations and the hiring of staff during the current year.
- Travel of \$6,357 (2019 - \$70) for expenditures related to attend meetings and accommodation during the current year.

### Selected Annual Information

	Year ended September 30, 2020	Year ended September 30, 2019	Year ended September 30, 2018
Net income (loss)	\$ (1,433,991)	\$ 185	\$ (45,117)
Net earning (loss) per share	(0.02)	0.00	(0.32)
Total assets	272,129	66,128	2,440
Long term debt	-	-	-
Dividends	-	-	-

### Quarterly Information

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

Period	Oct 1 – Dec 31/18	Jan 1 – Mar 31/19	Apr 1 – Jun 30/19	Jul 1 – Sep 30/19
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Gen &amp; Admin</b>	\$ 9,675	\$ 22,064	\$ 3,006	\$ 12,490
<b>Stock Based</b>				
<b>Comp.</b>	\$ -	\$ -	\$ -	\$ -
<b>Loss (gain) for the Period</b>	\$ 9,675	\$ 22,064	\$ 3,006	\$ (34,930)
<b>Net Loss (income) / Share</b>	\$ 0.01	\$ 0.02	\$ 0.00	\$ (0.08)
<b>Cash</b>	\$ 1,314	\$ 2,621	\$ 2,002	\$ 63,346
<b>Current Assets</b>	\$ 1,314	\$ 2,621	\$ 2,002	\$ 66,128
<b>Working Capital (Deficiency)</b>	\$ (154,865)	\$ (161,929)	\$ (165,005)	\$ 50,642

  

Period	Oct 1 – Dec 31/19	Jan 1 – Mar 31/20	Apr 1 – Jun 30/20	Jul 1 – Sep 30/20
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Gen &amp; Admin</b>	\$ 40,173	\$ 117,950	\$ 126,013	\$ 149,855
<b>Stock Based</b>				
<b>Comp.</b>	\$ -	\$ -	\$ -	\$ -
<b>Loss for the Period</b>	\$ 40,173	\$ 117,950	\$ 126,013	\$ 1,149,855
<b>Net Loss / Share</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<b>Cash</b>	\$ 27,873	\$ 165,437	\$ 181,325	\$ 251,346
<b>Current Assets</b>	\$ 30,001	\$ 171,662	\$ 188,335	\$ 259,031
<b>Working Capital</b>	\$ 1,528	\$ 147,988	\$ 159,978	\$ 231,763

# RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2020

## Fourth Quarter

During the quarter ended September 30, 2020, the Company did not have any significant events or transactions and recorded a net income in the amount of \$1,149,855 (2019 – 34,930) the major factor contributing to this figure was the impairment of intangible assets.

## Transactions with Related Parties

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.

	<b>Due to related parties</b>
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 September 30, 2020	\$ -

During the year ended September 30, 2020, the Company paid or accrued:

- consulting fees of \$Nil (2019 - \$15,350) and rent expenses of \$19,051 (2019 - \$2,057) to a corporation which has a director in common with the Company.
- salaries of \$208,431 (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.

## Financial Instruments

The Company's financial instruments consist of cash. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of the financial instruments approximate their amortized cost value due to their short-term nature. Cash is stated at cost plus accrued value, which approximates market value. Investments of cash are of sufficient quality and diversity to ensure a high probability of liquidity at the accrued value, at such times as needed to meet financial obligations.

Readers should refer to the September 30, 2020 financial statements on [www.sedar.com](http://www.sedar.com) for additional details.

## Recently adopted accounting policies and future accounting pronouncements

Please refer to the September 30, 2020 financial statements on [www.sedar.com](http://www.sedar.com) for all recently adopted accounting policies and future accounting pronouncements.

# RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2020

## Share Capital

### Authorized capital:

Unlimited number of common shares without par value

### Issued and outstanding:

70,314,299 common shares as at the date of this MD&A.

### Options:

Expiry Date	Exercise Price	Number of Option Outstanding	Number of Option Exercisable
October 15, 2025	\$0.10	1,000,000	-
		1,000,000	-

### Warrants:

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

- 152,000 broker's warrants exercisable at \$0.25 per share for 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada
- 9,600 broker's warrants exercisable at \$0.25 per share for 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada
- 102,880 broker's warrants exercisable at \$0.25 per share for 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada

### Fully diluted:

71,578,779 common shares as at the date of this MD&A.