

# RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the six months ended March 31, 2021

## General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of May 26, 2021 of the financial position of the Company and results of operations for the period ended March 31, 2021 and should be read in conjunction with the unaudited condensed interim financial statements of Railtown AI Technologies Inc. (formerly Railtown Capital Corp.) ("Railtown" or the "Company") for the period ended March 31, 2021, and the audited financial statements for the year ended September 30, 2020. The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") using Accounting Standards 34 – Interim Financial Reporting ("IAS 34"), which includes 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 at a deemed price of \$0.02 per share.

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 May 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.

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- 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

## **Going Concern**

As at March 31, 2021, 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 March 31, 2021, the Company had a working capital of \$859,318 (September 30, 2020 – \$231,763) as a result of expenses incurred during the period and the closing of a private placement during the period. As at March 31, 2021, the Company had cash on hand of \$878,163 (September 30, 2020 - \$251,346).

## **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 six months ended March 31, 2021**

For the six months ended March 31, 2021, the Company had a net loss of \$652,844 (2020 - \$158,123).

The significant differences between the two periods include:

- Bank charges of \$925 (2020 - \$253) due to increase in bank charges and interest in current period.
- Consulting fees of \$41,050 (2020 - \$Nil) due to increased business operation services rendered during the current period commensurate with beginning operations.
- Depreciation of \$4,049 (2020 - \$2,234) due to additional computer equipment purchased in current period.

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- Office expenses of \$21,041 (2020 - \$18,253) due to increase in staff in current period.
- Professional fees of \$37,602 (2020 - \$33,683) due to legal fees related to the acquisition of software technologies in comparative period.
- Salaries of \$312,726 (2020 - \$82,116) due the commencement of operations and the hiring of staff during the current period.
- Share-based compensation of \$216,444 (2020 - \$Nil) due the stock options granted during the current period.
- Travel of \$2,796 (2020 - \$5,714) for expenditures related to attend meetings and accommodation during the current period.

### Results of Operations for the three months ended March 31, 2021

For the three months ended March 31, 2021, the Company had a net loss of \$436,944 (2020 - \$117,950).

The significant differences between the two periods include:

- Bank charges of \$610 (2020 - \$232) due to increase in bank charges and interest in current period.
- Consulting fees of \$8,550 (2020 - \$Nil) due to a director no longer accruing fees during the current period.
- Depreciation of \$2,183 (2020 - \$1,759) due to additional computer equipment purchased in current period.
- Filing fees of \$6,245 (2020 - \$4,503) due to increase in filing activities during current period.
- Professional fees of \$16,620 (2020 - \$21,683) due to legal fees related to the acquisition of software technologies in comparative period.
- Rent of \$4,107 (2020 - \$3,141) due to office space provided by a company with a director in common of the Company during the current period.
- Salaries of \$197,121 (2020 - \$73,541) due to salaries paid or accrued to the directors, officers, and employees of the newly operational Company and the associated new hires.
- Share-based compensation of \$188,706 (2020 - \$Nil) due to the stock options granted during the current period.
- Travel of \$1,136 (2020 - \$387) for expenditures related to attendance of meeting and accommodations during the current period.

### Quarterly Information

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

Period	Apr 1 – Jun 30/19	Jul 1 – Sep 30/19	Oct 1 – Dec 31/19	Jan 1 – Mar 31/20
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<b>Revenue</b>	\$	-	\$	-	\$	-	\$	-
<b>Gen &amp; Admin</b>	\$	3,006	\$	12,490	\$	40,173	\$	117,950
<b>Stock Based Comp.</b>	\$	-	\$	-	\$	-	\$	-
<b>Loss (gain) for the Period</b>	\$	3,006	\$	(34,930)	\$	40,173	\$	117,950
<b>Net Loss (income) / Share</b>	\$	0.00	\$	(0.08)	\$	0.00	\$	0.00
<b>Cash</b>	\$	2,002	\$	63,346	\$	27,873	\$	165,437
<b>Current Assets</b>	\$	2,002	\$	66,128	\$	30,001	\$	171,662
<b>Working Capital (Deficiency)</b>	\$	(165,005)	\$	50,642	\$	1,528	\$	147,988

<b>Period</b>	<b>Apr 1 – Jun 30/20</b>	<b>Jul 1 – Sep 30/20</b>	<b>Oct 1 – Dec 31/20</b>	<b>Jan 1 – Mar 31/21</b>
<b>Revenue</b>	\$ -	\$ -	\$ -	\$ -
<b>Gen &amp; Admin</b>	\$ 126,013	\$ 149,855	\$ 215,900	\$ 436,944
<b>Stock Based Comp.</b>	\$ -	\$ -	\$ 27,738	\$ 188,706
<b>Loss for the Period</b>	\$ 126,013	\$ 1,149,855	\$ 215,900	\$ 436,944
<b>Net Loss / Share</b>	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.01)
<b>Cash</b>	\$ 181,325	\$ 251,346	\$ 768,996	\$ 878,163
<b>Current Assets</b>	\$ 188,335	\$ 259,031	\$ 804,511	\$ 911,255
<b>Working Capital</b>	\$ 159,978	\$ 231,763	\$ 755,540	\$ 859,318

### Transactions with Related Parties

During the six months ended March 31, 2021, the Company paid or accrued:

- rent expenses of \$8,964 (2020 - \$9,337) to a corporation which has a director in common with the Company.
- marketing fees, included in office, of \$Nil (2020 - \$4,775) paid or accrued to a company related to a director of the Company.
- salaries of \$146,280 (2020 - \$66,007) paid or accrued to directors and officers of the Company.
- share-based compensation of \$119,819 (2020 - \$Nil) to directors and officers of 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 March 31, 2021 unaudited condensed interim financial statements on [www.sedar.com](http://www.sedar.com) for additional details.

### Recently adopted accounting policies and future accounting pronouncements

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Please refer to the March 31, 2021 unaudited condensed interim financial statements on [www.sedar.com](http://www.sedar.com) 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:

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
March 15, 2026	\$0.25	3,150,000	1,500,000
May 13, 2026	\$0.25	1,125,000	125,000
		4,275,000	1,625,000

### 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 share 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 share 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 share of the Company are listed for trading on a recognized stock exchange in Canada