

# **RAILTOWN AI TECHNOLOGIES INC.**

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2021

## **General**

This Management Discussion and Analysis ("MD&A") has been prepared by management as of January 26, 2022 of the financial position of the Company and results of operations for the year ended September 30, 2021 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, 2021. The 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 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 Railtown AI Platform is an AI-driven platform built specifically to discover, track, monitor, and notify software developers about critical bugs and errors in their software development projects. The Railtown AI Platform applies both (i) AI, which refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions, and (ii) NLP, which is a branch of artificial intelligence that helps computers understand, interpret and manipulate human language, at every stage of software development process, aggregating different data sources (logs, tickets, build, and deployment information), and transforms that data into a simple and clear picture with actionable insights, raising confidence in the application and the application's delivery to production through the continuous integration and continuous delivery/ continuous deployment ("CI/CD") pipeline.

The Railtown AI Platform allows users to quickly integrate different data sources, including ticket information, from various applications (such as GitHub, Azure DevOps or Atlassian), DevOps tools (a set of practices that combines software development (Dev) and IT operations (Ops), such as Jenkins and Terraform), and application log data (directly from applications or logging platforms such as Splunk or Solarwinds Loggly) and build information into a single dashboard that provides various alerts in order to optimize results. The Railtown AI Platform is functional, operational, and now marketed commercially.

There are currently two versions of the Railtown AI Platform: the Teams Edition and the Developer Edition (a limited version of the Teams Edition that is free to use and is meant to be used by students, teachers and solo developers but with fewer features and functions). A third version, the Enterprise Edition (a customized version of the Teams Edition designed to be used by large organizations), is expected to be developed in the future based on customer demand and requests for customization.

During the year ended September 30, 2021, the company successfully progressed the Railtown AI platform from an alpha stage to a commercially available product.

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.

# RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2021

## 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, 2022.
- 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.

## Going Concern

As at September 30, 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 September 30, 2021, the Company had a working capital of \$141,352 (2020 – \$231,763); cash used in operations of \$1,033,622 (2020 - \$422,954) grew significantly as the company grew its operational headcount and moved from an alpha version of its platform to the beta version. Proceeds of financing of 1,067,236 (2020 – 628,210) slightly outstripped operational expenses, and as such, at September 30, 2021, the Company had cash on hand of \$275,147 (2020 - \$251,346).

During the year ended September 30, 2021, the Company:

- i) completed a private placement of 2,902,000 common shares at a price of \$0.25 for aggregate gross proceeds of \$725,500. The Company paid \$38,000 and issued 152,000 broker's warrants as finder's fees. Each broker's warrant will entitle the holder to acquire one common share of the Company at a price of \$0.25 per share until the date that is 12 months following the date on which

## **RAILTOWN AI TECHNOLOGIES INC.**

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2021

the common shares of the Company are listed for trading on a recognized stock exchange in Canada. The broker's warrants are valued at \$Nil due to the uncertainty regarding the expected date of trading on a recognized stock exchange in Canada.

- ii) completed a private placement of 120,000 common shares at a price of \$0.25 for aggregate gross proceeds of \$30,000. The Company paid \$2,400 and issued 9,600 broker's warrants as finder's fees. Each broker's warrant will entitle the holder to acquire one common share of the Company at a price of \$0.25 per share until the date that is 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada. The broker's warrants are valued at \$Nil due to the uncertainty regarding the expected date of trading on a recognized stock exchange in Canada.
- iii) completed a private placement of 1,462,000 common shares at a price of \$0.25 for aggregate gross proceeds of \$365,500. The Company paid \$25,720 and issued 102,880 broker's warrants as finder's fees. Each broker's warrant will entitle the holder to acquire one common share of the Company at a price of \$0.25 per share until the date that is 12 months following the date on which the common shares of the Company are listed for trading on a recognized stock exchange in Canada. The broker's warrants are valued at \$Nil due to the uncertainty regarding the expected date of trading on a recognized stock exchange in Canada.
- iv) completed a private placement of 49,424 common share at a price of \$0.25 for aggregate gross proceeds of \$12,356.

Subsequent to September 30, 2021, the Company completed its prospectus offering and listing on the Canadian Stock Exchange ("CSE"). The Offering consisted of 5,568,700 common shares of the Company at a price of \$0.40 per Common Share for gross proceeds of \$2,227,480. In connection with the financing, the Company paid cash commission equal to 7% of the gross proceeds and issued 556,870 finders' warrants exercisable at a price of \$0.40 expiring on November 30, 2022. The company also paid a corporate finance fee of \$50,000 in cash and 625,000 common shares. The Company's common shares were listed on the CSE on November 29, 2021 and commenced trading on the CSE under the symbol "RAIL" on November 30, 2021.

### **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, 2021**

For the year ended September 30, 2021, the Company had a net loss of \$1,743,075 (2020 - \$1,433,991).

## RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2021

The significant differences between the two fiscal years include:

- Bank charges increased to \$1,783 (2020 - \$737) due to increased financial activity throughout the current year.
- Consulting fees of \$53,690 (2020 - \$32,000) due to increased use of outsourcers for website and UI development during the current year.
- Depreciation of \$8,781 (2020 - \$4,158) increased year over year due to depreciation on additional equipment purchased in current year.
- Office expenses of \$59,075 (2020 - \$24,352) due to increase in staff and overall activity during the current year.
- Professional fees of \$313,329 (2020 - \$49,033) increased primarily due to legal fees related to the prospectus preparation during the current year.
- Salaries of \$761,599 (2020 - \$290,233) due the continuing growth of our team of developers during the current year.
- Share-based compensation of \$586,460 (2020 - \$Nil) due the granting of stock options during the current year.
- Other income of \$98,676 (2020 - \$Nil) due to a rebate from the Scientific Research and Experimental Development (SR&ED) program.
- Impairment of intangible assets of \$Nil (2020 - \$1,000,000) the write off in 2020, was an accounting based decision due to uncertainty in the Company's ability to create economic benefit from the acquired technology.

### Selected Annual Information

	Year ended September 30, 2021	Year ended September 30, 2020	Year ended September 30, 2019
Net income (loss)	\$ (1,743,075)	\$ (1,433,991)	\$ 185
Net earning (loss) per share	(0.03)	(0.02)	0.00
Total assets	330,662	272,129	66,128
Long term debt	-	-	-
Dividends	-	-	-

The increase in net loss reflects an increase in corporate activity over the last two years as the Railtown AI platform moved from Alpha to Beta builds. It should be noted that net loss for 2020 includes a complete write down of the acquisition cost of the technology (\$1,000,000).

## RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2021

### Quarterly Information

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

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

Period	Oct 1 – Dec 31/20	Jan 1 – Mar 31/21	Apr 1 – Jun 30/21	Jul 1 – Sep 30/21
Revenue	\$ -	\$ -	\$ -	\$ -
Gen & Admin	\$ 215,900	\$ 684,122	\$ 430,052	\$ 550,345
Stock Based Comp.	\$ 27,738	\$ 463,622	\$ 56,721	\$ 103,975
Loss for the Period	\$ 215,900	\$ 684,122	\$ 430,052	\$ 550,345
Net Loss / Share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 768,996	\$ 878,163	\$ 494,766	\$ 275,147
Current Assets	\$ 804,511	\$ 911,255	\$ 553,987	\$ 316,532
Working Capital	\$ 755,540	\$ 859,318	\$ 486,041	\$ 141,352

### Fourth Quarter

During the quarter ended September 30, 2021, the Company did not have any significant events or transactions and recorded a net loss of \$550,345 (2020 – \$1,149,855), the major contributing factor for the difference between the fourth quarters is the impairment of intangible assets of \$1,000,000 in fiscal 2020; however, ex that item, the Company's net loss increased to \$550,345 (2020 - \$149,855) reflecting an overall increase in the size of the Company's team of developers.

### Transactions with Related Parties

During the year ended September 30, 2021, the Company paid or accrued:

- rent expenses of \$18,679 (2020 - \$19,051) to Conation Capital Corp., a company of which Paul Woodward, the Company's CFO is a director.
- salaries of \$320,640 (2020 - \$208,431) paid or accrued to directors and officers of the Company.
- share-based compensation of \$216,112 (2020 - \$Nil) to directors and officers of the Company.

### Financial Instruments

The Company's financial instruments consist of cash and trade payables and accrued liabilities. 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.

# RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations  
For the year ended September 30, 2021

Readers should refer to the September 30, 2021 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, 2021 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:

76,507,999 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	125,000	125,000
		3,275,000	1,625,000

### Warrants:

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

Expiry Date	Exercise Price	Number of Warrants Outstanding
November 30, 2022	\$0.25	152,000
November 30, 2022	\$0.25	9,600
November 30, 2022	\$0.25	102,880
November 30, 2022	\$0.25	556,870
		821,350

### Fully diluted:

80,604,349 common shares as at the date of this MD&A.