

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended March 31, 2022

General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of May 30, 2022 of the financial position of the Company and results of operations for the period ended March 31, 2022 and should be read in conjunction with the unaudited condensed interim financial statements of Railtown AI Technologies Inc. ("Railtown" or the "Company") for the period ended March 31, 2022, and the audited financial statements for the year ended September 30, 2021. 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 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.

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.

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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 30, 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 March 31, 2022, 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, 2022, the Company had a working capital of \$1,143,159 (September 30, 2021 – \$141,352); cash used in operations of \$1,225,758 (2021 - \$433,089) 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 \$1,947,463 (2021 – \$1,067,236) outstripped operational expenses, and as such, at March 31, 2022, the Company had cash on hand of \$993,481 (September 30, 2021 - \$275,147).

During the six month period ended March 31, 2022, 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 of \$280,017, issued 625,000 finder's shares, and granted 556,870 finder's warrants (valued at \$122,300) exercisable at a price of \$0.40 expiring on November 30, 2022.

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On November 29, 2021, the Company's common shares were listed, trading commenced 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 six ended March 31, 2022

For the six months ended March 31, 2022, the Company had a net loss of \$1,026,873 (2021 - \$652,844).

The significant differences between the two fiscal periods include:

- Filing fees of \$18,968 (2021 - \$7,247) increased primarily due to fees related to the prospectus offering and public listing during the current period.
- Office expenses of \$38,935 (2021 - \$21,041) due to increase in staff and overall activities during the current period.
- Marketing and promotion of \$264,966 (2021 - \$Nil) increased primarily due to the Company's efforts to increase market awareness for its platform, and for investor relations during the current period.
- Professional fees of \$110,163 (2021 - \$37,602) increased primarily due to legal fees related to the prospectus offering during the current period.
- Salaries of \$456,247 (2021 - \$312,726) due to the continuing growth of the Company's team of developers during the current period.
- Share-based compensation of \$80,721 (2021 - \$216,444) due to the vested portion of the stock options during the current period.
- Travel of \$11,553 (2021 - \$2,796) due to and increase in travel for business development during the current period.

Results of Operations for the three months ended March 31, 2022

For the three months ended March 31, 2022, the Company had a net loss of \$518,930 (2021 - \$436,944).

The significant differences between the two fiscal periods include:

- Consulting fees of \$28,700 (2021 - \$8,550) due to increased use of outsourcers for website and UI development during the current period.

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- Office expenses of \$19,973 (2021 - \$11,666) due to increase in staff and overall activities during the current period.
- Marketing and promotion of \$174,724 (2021 - \$Nil) increased primarily due to the Company's efforts to increase market awareness for its platform, and for investor relations during the current period.
- Professional fees of \$22,804 (2021 - \$16,620) increased primarily due to legal fees related to the prospectus offering during the current period.
- Salaries of \$236,086 (2021 - \$197,121) the increase due to the continuing growth of the Company's team of developers during the current period.
- Share-based compensation of \$18,489 (2021 - \$188,706) due to the cancellation of stock options during the current period.
- Travel of \$3,736 (2021 - \$1,136) due to and increase in travel for business development during the current period..

Quarterly Information

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

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

Period	Apr 1 – Jun 30/21	Jul 1 – Sep 30/21	Oct 1 – Dec 31/21	Jan 1 – Mar 31/22
Revenue	\$ -	\$ -	\$ -	\$ -
Gen & Admin	\$ 430,052	\$ 550,345	\$ 507,943	\$ 518,930
Stock Based Comp.	\$ 56,721	\$ 103,975	\$ 62,232	\$ 18,489
Loss for the Period	\$ 430,052	\$ 550,345	\$ 507,943	\$ 518,930
Net Loss / Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 494,766	\$ 275,147	\$ 1,400,970	\$ 993,481
Current Assets	\$ 553,987	\$ 316,532	\$ 1,712,063	\$ 1,222,765
Working Capital	\$ 486,041	\$ 141,352	\$ 1,641,667	\$ 1,143,159

During the quarter ended September 30, 2020, the Company had a loss of \$1,149,855 (June 30, 2020 - \$126,013) the increase was due to the Company deciding to impair the software technology due to uncertainty in its ability to create an economic benefit.

During the quarter ended December 31, 2020, the Company's working capital increased to \$804,511 (September 30, 2020 - \$231,763) due to the completion of private placements for an aggregate gross proceeds of \$755,000 during the quarter.

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During the quarter ended March 31, 2021, the Company had a loss of \$684,122 (December 31, 2020 - \$215,900) the increase was primarily due to the stock based compensation of \$188,706 related to the granting of 3,150,000 incentive stock options during the quarter.

During the quarter ended June 30, 2021, the Company's working capital decreased to \$486,041 (March 31, 2021 - \$859,318) due to the Company paying off liabilities during the quarter.

During the quarter ended September 30, 2021, the Company's working capital decreased to \$141,352 (June 30, 2021 - \$486,041) due to increased trade payables and accrued liabilities.

During the quarter ended December 31, 2021, the Company's working capital increased to \$1,641,667 (September 30, 2021 - \$486,041) primarily due to the Company completing its prospectus offering and listing on the Canadian Stock Exchange for gross proceeds of \$2,227,480.

During the quarter ended March 31, 2022, the Company's working capital decreased to \$1,143,159 (December 31, 2021 - \$1,641,667) primarily due to increased business activity and the Company paying off liabilities during the quarter.

Transactions with Related Parties

During the period ended March 31, 2022, the Company paid or accrued:

- rent expenses of \$10,000 (2021 - \$8,964) to Conation Capital Corp., a company of which Paul Woodward, the Company's CFO is a director.
- salaries of \$172,832 (2021 - \$146,280) paid or accrued to directors and officers of the Company.
- share-based compensation of \$Nil (2021 - \$119,819) 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.

Readers should refer to the March 31, 2022 financial statements on www.sedar.com for additional details.

Recently adopted accounting policies and future accounting pronouncements

Please refer to the March 31, 2022 financial statements on 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

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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	2,600,000	1,850,000
May 13, 2026	\$0.25	125,000	125,000
		2,725,000	1,975,000

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	\$0.40	556,870
		821,350

Fully diluted:

80,054,349 common shares as at the date of this MD&A.