

RAILTOWN AI TECHNOLOGIES INC.

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

General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of March 1, 2023 of the financial position of the Company and results of operations for the period ended December 31, 2022 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, 2022. The condensed interim financial statements have been prepared in accordance 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 three versions of the Railtown AI Platform: the Start-up Edition (a limited version that is free to use and is meant to be used by students, teachers and solo developers but with fewer features and functions), the full-featured Teams Edition, and the Enterprise Edition (a customizable version of the Teams Edition designed to be used by large organizations). The Company has been able to commercially expand and translate its SAAS solutions and services to an enterprise offering. The company's core technology also saw significant expansion in its capabilities thus allowing the company to add two new technology offerings to its suite of solutions: AI Powered Release Notes and AI Powered Stand Up Notes.

AI Powered Release Notes

Railtown is modernizing the next generation of release notes with an Agile/AI driven approach through Railtown's own AI engine and advanced AI techniques to summarize tickets completed. Branded as RailNotes, this solution will create an "executive summary" of tickets completed and present them in a clear descriptive business-like format for consumption by end users, engineers, team leads as well as marketing and management.

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AI Powered Stand Up Notes

Railtown is revolutionizing the standup notes via AI through Railtown's own AI engine and advanced AI techniques to summarize progress on tickets for the whole team (delta difference between yesterday and today). The automated standup notes are presented in a clear and digestible technical manner. RailNotes will tag any tickets that are blocked or taking longer to finish than the average to help the team take action to resolve. RailNotes will also summarize the number of completed tickets, new tickets, and any new bugs raised. As well it will summarize deployments and the performance of the deployments (and surface if there are no deployments based on the team cadence of deployments).

Adding these two new AI features to our AI for Error Logging technology and our Velocity Dashboards expands Railtown's offering into a complete end to end solution.

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 March 1, 2023.
- 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 December 31, 2022, the Company is not able to finance day to day activities through operations. The Company is in the business of research and development that by its nature involves a high degree of risk. There can be no assurance that the Company's business and strategy will enable it to become profitable or sustain profitability in future periods. The Company's information technology systems are subject to disruption, damage or failure from a number of sources. This may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects. Additionally, the Company estimates that it will need additional capital to operate for the upcoming year. These material uncertainties may cast significant doubt on 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.

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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 December 31, 2022, the Company had a working capital of \$675,020 (September 30, 2022 – \$607,661); cash used in operations of \$400,013 (2021 - \$818,269) declined significantly as the company had an expensive IPO during the prior period. Net cash provided by financing activities of \$493,187 (2021 – \$1,947,463) arose from the proceeds of the convertible debenture, but was lower than the prior period when the Company's IPO was completed. As such, at December 31, 2022, the Company had cash on hand of \$769,485 (September 30, 2022 - \$678,474).

During the year ended September 30, 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.

On November 16, 2022, the Company closed a convertible debenture financing by way of a non-brokered private placement for aggregate gross proceeds of \$565,000. The financing was comprised of units at a price of \$1,000 per unit, with each unit consisting of (i) one unsecured convertible debenture in the principal amount of \$1,000 that matures in 36 months, bears simple interest at the rate of 10% per annum and is convertible into common shares of the Company at a price of \$0.15 per share, and (ii) 3,335 common share purchase warrants, each of which is exercisable into one share at a price of \$0.30 per share for a period of 36 months.

In connection with the financing, the Company paid one arm's length entity \$45,200 in cash finder's fees and issued 301,333 non-transferable finder's warrants to that entity. Each finder's warrant is exercisable into one share at a price of \$0.15 per share for a period of 36 months. The Company also paid that entity a referral fee of \$15,000 and issued 100,000 shares to that entity at a deemed price of \$0.15 per share.

Contractual Obligations

Leased Office

The Company is committed to a 5-years agreement for an office space located at suite 490 – 580 Hornby Street, until May 2027.

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.

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Results of Operations for the period ended December 31, 2022

For the period ended December 31, 2022, the Company had a net loss of \$458,032 (2021 - \$507,943).

The significant differences between the two fiscal periods include:

- Consulting fees of \$39,027 (2021 - \$500) increased due to additional consultants hired in areas related to recruitment, marketing, and AI during the current period.
- Depreciation of \$10,103 (2021 - \$1,934) increased due to depreciation on new right of use assets in current period.
- Financing charges on convertible debenture of \$11,694 (2021 - \$Nil) primarily due to the Company's issuance of convertible debenture during the current period.
- Marketing and promotion of \$50,322 (2021 - \$90,242) decreased primarily due to the Company's efforts to increase market awareness for financing opportunities ahead of its IPO during the prior period.
- Office expenses of \$65,309 (2021 - \$18,962) due to increase in staff, productivity software and overall activities during the current period.
- Professional fees of \$63,524 (2021 - \$87,359) decreased primarily due to higher legal fees related to the prospectus offering during the comparative period.
- Share-based compensation of \$8,121 (2021 - \$62,232) decreased due to the vested portion of cancelled options being included in the comparative period

Quarterly Information

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

Period	Oct 1 – Dec 31/22	Jul 1 – Sep 30/22	Apr 1 – Jun 30/22	Jan 1 – Mar 31/22
Revenue	\$ -	\$ -	\$ -	\$ -
Loss (income) for the Period	\$ 458,032	\$ 417,940	\$ (54,069)	\$ 518,930
Net Income (Loss) / Share	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.01)
Cash	\$ 769,485	\$ 678,474	\$ 967,800	\$ 993,481
Current Assets	\$ 849,468	\$ 749,633	\$ 1,131,802	\$ 1,222,765
Working Capital	\$ 675,020	\$ 607,661	\$ 1,020,772	\$ 1,143,159

Period	Oct 1 – Dec 31/21	Jul 1 – Sep 30/21	Apr 1 – Jun 30/21	Jan 1 – Mar 31/21
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the Period	\$ 507,943	\$ 660,179	\$ 430,052	\$ 436,944
Net Loss / Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 1,400,970	\$ 275,147	\$ 494,766	\$ 878,163
Current Assets	\$ 1,712,063	\$ 316,532	\$ 553,987	\$ 911,255
Working Capital	\$ 1,641,667	\$ 141,352	\$ 486,041	\$ 859,318

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During the quarter ended March 31, 2021, the Company had a loss of \$436,944 (December 31, 2020 - \$215,900) the increase was primarily due to 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 had a loss of \$430,052 primarily due to professional fees of \$103,890, salaries of \$233,510, share-based compensation of \$56,721 and office expense of \$16,556 during the quarter.

During the quarter ended September 30, 2021, the Company's had a loss of \$660,179 primarily due to professional fees of \$171,837 mainly related to the company's IPO, and salaries of \$215,363.

During the quarter ended December 31, 2021, the Company's had a loss of \$507,943 primarily due to marketing of \$90,242, professional fees of \$87,359, salaries of \$220,161, and share-based compensation of \$62,232.

During the quarter ended March 31, 2022, the Company's had a loss of \$518,930 primarily due to marketing expenses of \$174,724, and salaries of \$236,086.

During the quarter ended June 30, 2022, the Company's had income of \$54,069 primarily due to receipt of the SRED tax credit of \$233,682 and share based compensation recovery of \$158,379.

During the quarter ended September 30, 2022, the Company had a loss of \$417,940 primarily due to marketing of \$114,933, professional fees of \$65,426 and office expense of \$45,522 during the quarter.

During the quarter ended December 31, 2022, the Company had a loss of \$458,032 (September 30, 2022 – \$417,940) the increase was primarily due to marketing of \$50,322, professional fees of \$65,524 and office expense of \$65,309 during the quarter.

Transactions with Related Parties

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

- rent expenses of \$Nil (2021 - \$4,857) to Conation Capital Corp., a company of which Paul Woodward, the Company's CFO is a director.
- salaries of \$83,199 (2021 - \$83,199) paid or accrued 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 December 31, 2022 financial statements on www.sedar.com for additional details.

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Recently adopted accounting policies and future accounting pronouncements

Please refer to the December 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

Issued and outstanding:

76,607,999 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	1,900,000	1,550,000
May 13, 2026	\$0.25	125,000	125,000
February 9, 2028	\$0.25	1,650,000	1,650,000
		<u>3,675,000</u>	<u>3,325,000</u>

Warrants:

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

Expiry Date	Exercise Price	Number of Warrants Outstanding
November 16, 2025	\$0.30	1,884,275
November 16, 2025	\$0.15	<u>301,333</u>
		<u>2,185,608</u>

Fully diluted:

82,468,607 common shares as at the date of this MD&A.