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These securities have not been registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any of the securities laws of any state of the United States, and may not be offered or sold within the United States or for the account or benefit of U.S. persons or persons in the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. This Offering Document does not constitute an offer to sell, or the solicitation of an offer to buy, any of these securities within the United States or to, or for the account or benefit of, U.S. persons or persons in the United States. “**United States**” and “**U.S. person**” have the meanings ascribed to them in Regulation S under the U.S. Securities Act.

OFFERING DOCUMENT UNDER THE LISTED ISSUER FINANCING EXEMPTION

JUNE 7, 2023



RAILTOWN AI TECHNOLOGIES INC.
(the “**Company**” or the “**issuer**”)

What are we offering?

| | |
|--------------------------------------|---|
| Number of Type of Securities: | Up to 10,000,000 units of the Company (each, a “ Unit ”) for gross proceeds of up to \$1,500,000 (the “ Offering ”). Each unit will consist of one common share in the capital of the Company (each, a “ Common Share ”) and one-half of one Common Share purchase warrant (each whole warrant, a “ Warrant ”). Each Warrant is exercisable into one Common Share at a price of \$0.25 per Common Share for a period of 36 months, subject to an acceleration condition and standard adjustment mechanisms. |
| Offering Price: | \$0.15 per Unit. |
| Minimum Offering: | \$1,200,000 for a total of 8,000,000 Units |
| Maximum Offering: | \$1,500,000 for a total of 10,000,000 Units |
| Closing Date: | The closing of the Offering may take place in one or more tranches, the first of which is expected to close on or about June 19, 2023. |
| Exchange: | The Common Shares are listed for trading on the Canadian Securities Exchange (the “ CSE ”) under the symbol “ RAIL ”. The Warrants are not listed for trading on any stock exchange. |
| Closing Price: | The closing price of the Common Shares on the CSE on June 6, 2023, being the most recent trading day before the date of this Offering Document, was \$0.17. |

Description of Common Shares

The holders of Common Shares have no pre-emptive rights to purchase additional Common Shares or other subscription rights. Common Shares carry no conversion rights and are not subject to redemption or to any sinking fund provisions. All Common Shares are entitled to share equally in dividends from sources legally available, when, as and if declared by the board of directors of the Company (the “**Board**”), and upon the Company’s liquidation or dissolution, whether voluntary or involuntary, to share equally in its assets available for distribution to its security holders.

The Board is authorized to issue additional Common Shares on such terms and conditions and for such consideration as the Board may deem appropriate.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote). Each Common Share carries the right to one vote.

Description of Warrants

Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one Common Share at an exercise price of \$0.25 per Common Share until 5:00 p.m. (Vancouver time) on the date that is 36 months following the applicable closing date, after which time the Warrants will be void and of no value.

If, during a period of 10 consecutive trading days between the applicable closing date and the expiry of the Warrants, the daily volume-weighted average trading price of the Common Shares on the Canadian Securities Exchange (or such other stock exchange where the majority of the trading volume occurs) exceeds \$0.50 for each of those 10 consecutive days, the Company may, within 30 days of such an occurrence, give written notice to the holders of the Warrants that the Warrants will expire at 5:00 p.m. (Vancouver time) on the 30th day following the giving of notice unless exercised by the holders prior to such date. Upon receipt of such notice, the holders of the Warrants will have 30 days to exercise their Warrants. Any Warrants which remain unexercised at 5:00 p.m. (Vancouver time) on the 30th day following the giving of such notice will expire at that time.

The Warrants will be governed by the terms and conditions set out in definitive certificates representing the Warrants (each, a “**Warrant Certificate**”) delivered to investors at the closing of the Offering. The Warrant Certificates will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain customary events.

No fractional Common Shares will be issuable to any holder of Warrants upon the exercise thereof, and no cash or other consideration will be paid in lieu of fractional shares. The holding of Warrants will not make the holder thereof a shareholder of the Company or entitle such holder to any right or interest in respect of the Warrants except as expressly provided in the Warrant Certificate. Holders of Warrants will not have any voting or pre-emptive rights or any other rights of a holder of Common Shares.

No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Document. Any representation to the contrary is an offence. This offering may not be suitable for you, and you should only invest in it if you are willing to risk the loss of your entire investment. In making this investment decision, you should seek the advice of a registered dealer.

Railtown AI Technologies Inc. is conducting a listed issuer financing under section 5A.2 of National Instrument 45-106 *Prospectus Exemptions*. In connection with this offering, the issuer represents the following is true:

- **The issuer has active operations, and its principal asset is not cash, cash equivalents or its exchange listing.**
- **The issuer has filed all periodic and timely disclosure documents that it is required to have filed.**
- **The total dollar amount of this offering, in combination with the dollar amount of all other offerings made under the listed issuer financing exemption in the 12 months immediately before the date of this Offering Document, will not exceed \$5,000,000.**
- **The issuer will not close this offering unless the issuer reasonably believes it has raised sufficient funds to meet its business objectives and liquidity requirements for a period of 12 months following the distribution.**
- **The issuer will not allocate the available funds from this offering to an acquisition that is a significant acquisition or restructuring transaction under securities law or to any other transaction for which the issuer seeks security holder approval.”**

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Document are forward-looking statements or information (collectively "**forward-looking statements**"). The Company is providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "anticipates", "is expected to", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking. The Company has based the forward-looking statements largely on its current estimates, assumptions and projections about future events and trends that it believes, as of the date of this Offering Document, may affect its business, financial condition, and results of operations. These forward-looking statements include, among other things, statements relating to: the development, functionality, commercialization, release and adoption of the Company's AI software and its various editions; the Company's phased plan to market its software to targeted groups; the business, operations and profitability of the Company; the sale of the Common Shares and the closing of the Offering; the anticipated use of proceeds of the Offering; the business objectives and milestones of the Company; and the impact of COVID-19 on the Company.

Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the Company's business and the industry and markets in which it operates. In making the forward-looking statements included in this Offering Document, the Company has made various assumptions, including, among others, that: the Offering will be completed and that any additional financing required will be available on reasonable terms; the Company will be able to raise any necessary additional capital on reasonable terms to execute the Company's business plan; the Company's current corporate activities will proceed as expected; general business and economic conditions will not change in a material adverse manner; budgeted costs and expenditures are and will continue to be accurate; future currency exchange and interest rates will remain consistent with the Company's expectations; the Company will be able to attract and retain skilled personnel; the political, legal and regulatory environments in which the Company operates will remain stable; any required governmental, regulatory and third-party approvals, licenses and permits will be obtained on favourable terms; financial and capital markets will remain stable; and the effects of COVID-19 on the operations of the Company will remain consistent with the Company's expectations. Although management believes that these assumptions are reasonable, they may prove to be incorrect.

By their nature, forward-looking statements involve numerous inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may

be delayed. The risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: the inability to close the Offering; the ability of the Company to complete the development of its products and establish a market for them; competitive conditions in the software-as-a-service (SaaS) industry which could prevent the Company from becoming profitable; the effectiveness and efficiency of advertising and promotional expenditures to generate interest in the Company's products; the volatility of the price of the Common Shares on the CSE; the inability to secure additional financing; the Company's intention not to pay dividends; claims, lawsuits and other legal proceedings and challenges; conflicts of interest with directors and management; and other relevant factors.

Factors that could cause the Company's actual results to differ from the forward-looking statements include its history of losses from operations; technology risks; its ability to obtain the additional financing required to meet long-term goals; its dependence on key personnel, including its executive officers; and uninsured risks. These factors are not exhaustive.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. There can be no assurance that such information or statements will prove to be accurate, and accordingly, readers should not place undue reliance on forward-looking statements.

All of the forward-looking statements contained in this Offering Document are expressly qualified by the foregoing cautionary statements. Prospective investors should read this entire Offering Document and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

SUMMARY DESCRIPTION OF BUSINESS

What is our business?

The Company was incorporated under the *Business Corporations Act* (British Columbia) on May 11, 2011, under the name 0910254 B.C. Ltd. On July 13, 2011, the Company changed its name to Railtown Capital Corp., and on August 15, 2019, the Company changed its name to Railtown AI Technologies Inc. The Company does not have any subsidiaries.

The Company's head office is located at Unit 104, 8337 Eastlake Drive, Burnaby, BC V5A 4W2.

The Company is an artificial intelligence (AI) company in the business of developing SaaS AI Co-Pilot solutions. Trained on targeted language models, the AI Co-Pilots help software development teams detect, analyze and fix errors quickly in their development projects, automatically create software release notes and provide knowledge-based answers to questions queried by developers about applications. The Company's software platform also provides team and individual developer velocity dashboards which track the velocity effectiveness that the Co-Pilots have on the team as a whole or for each developer.

The Company has developed AI Co-Pilot solutions for Root Cause Analysis (RCA), Release Notes and Scrum Masters. The Co-Pilots have been purposely developed to bring AI to software developers, help improve productivity, drive down inefficiency, improve product quality, lower costs and accelerate engineering team velocity.

Root Cause Analysis Co-Pilot (RCA Co-Pilot)

The issuer's RCA Co-Pilot tool connects to ticketing systems, build servers and logging services and matches tickets to builds in each environment pointing directly to any code change that it recognizes as the root cause of any issue, error, bug or exception. The RCA Co-Pilot seamlessly integrates with ticket tracking systems like Azure DevOps, Jira or Trello, CI/CD build processes and application logs. Additionally, the RCA Co-Pilot can assist with services like Application Insights, Splunk or Loggly.

The RCA Co-Pilot detects errors at the earliest stage in the CI/CD pipeline and then surfaces these errors with meaningful descriptions as alerts and sends the alerts directly into team channels on Slack or Microsoft Teams so that development teams can act quickly and accordingly. Catching and resolving errors at the earliest stage in the pipeline saves money, drives down technical debt and accelerates productivity velocity.

The RCA Co-Pilot has a deep understanding of how each error affects an application and prioritizes errors as they surface, which allows for more timely fixes on critical errors by prioritizing what to act on first. Simultaneously, the RCA Co-Pilot intelligently categorizes errors and correlates them with completed work items which gives development teams the ability to track fixes all the way to production.

Release Notes Co-Pilot

The Company's Release Notes Co-Pilot tool generates release notes from developer tickets. This means that product development teams no longer need to manually review tickets and documentation to start writing their release notes. With Release Notes Co-Pilot, teams can generate a first draft of release notes in under two minutes. The Company is modernizing the generation of release notes in a very agile/AI driven approach through its AI engine. The Release Note Co-Pilot creates an "executive summary" of any completed ticket set and presents it in a clear, descriptive, business-like format with the intent of consumption by end users, engineers and team leads, as well as marketing and management personnel.

Scrum Master Chat Co-Pilot

The issuer's Scrum Master is a knowledge-based Chat Co-Pilot that is trained on a Targeted Language Model (TLM). The TLM's are built upon data and logic from developer tickets, software deployments and logs of any software application that is connected to the Railtown platform, which gives the Scrum Master Chat Co-Pilot the ability to provide developers with accurate and reason-based answers to any questions they have about the application and the team working on it.

The Scrum Master Chat Co-Pilot is trained on a vast amount of data related to the software application, enabling it to quickly search through and retrieve relevant information. It leverages the latest Natural Language Processing (NLP) and Railtown's machine learning technology to understand developers' questions and provide accurate answers in real-time.

The Scrum Master Chat Co-Pilot can provide information related to a wide range of topics, including code snippets, build errors, bug fixes, performance issues, and more. Developers can ask the Co-Pilot specific questions or describe the problem they are facing, and the Co-Pilot will provide relevant and actionable information to help them solve the problem. The Scrum Master Chat Co-Pilot also learns from the feedback it receives from developers and continuously improve its ability to provide accurate answers. The more it is used, the more knowledge it acquires, making the Co-Pilot an increasingly valuable resource for software development teams.

Recent Developments

On March 20, 2023, the Company announced that the first of its AI-powered Co-Pilot solutions, the Release Notes Co-Pilot, was available for purchase in Microsoft's Azure Marketplace. The Release Notes Co-Pilot is available by paid subscription to more than 400,000 Microsoft Partners worldwide. In

connection with the Azure Marketplace offering, the Company also announced that the Co-Pilot is available behind a paywall so that non-Microsoft Partners can purchase the solution directly at the issuer's website, www.railtown.ai.

On February 14, 2023, the Company announced that Dr. Eldad Haber will be joining the issuer's Board of Advisors. Dr. Haber is a Professor of Computational Sciences and an NSERC Industrial Research Chair at the University of British Columbia. He works in the field of computational inverse problems with applications in machine learning, geosciences and medical imaging.

On February 8, 2023, the Company announced the launch of "RailNotes for Release Notes", a first-of-its-kind application using the issuer's proprietary AI engine along with Natural Language Processing to automatically create Release Notes.

Material Facts

There are no material facts about the securities being distributed that have not been disclosed elsewhere in this Offering Document or in any other document filed by the Company in the 12 months preceding the date of this Offering Document.

What are the business objectives that we expect to accomplish using the available funds?

The Company's primary business objective over the next 12 months is to accelerate the commercialization of its software platform and, in particular, pursue customer acquisition initiatives. More specifically, the Company is planning to expand its value proposition, brand, commercial offerings and market reach at an approximate cost of \$200,000; invest in a progressive user acquisition campaign to accelerate revenue growth at an approximate cost of \$500,000; continue ongoing research and development activities; and pay general and administrative expenses. There are no significant events that must occur in order for the Company to achieve these objectives, nor is there a specific period in which each event is expected to occur.

The Company does not intend to spend more than 10% of the available funds on the research and development of products or services. Instead, the Company intends to spend a substantial portion of the available funds on payroll and benefits, which includes a research and development component given the nature of the Company's business.

USE OF AVAILABLE FUNDS

What will our available funds be upon the closing of the Offering?

| | | Assuming Minimum Offering Only (\$) | Assuming 100% of Offering (\$) |
|---|---|---|--------------------------------------|
| A | Amount to be raised by the Offering | 1,200,000 | 1,500,000 |
| B | Selling commissions and fees | Nil | 39,000 |
| C | Estimated Offering costs (e.g., legal, accounting, audit) | 20,000 | 20,000 |
| D | Net proceeds of Offering: $D = A - (B + C)$ | 1,180,000 | 1,441,000 |
| E | Working capital as at May 31, 2023 | 37,000 | 37,000 |
| F | Additional sources of funding | 35,000 ⁽¹⁾ | 35,000 ⁽¹⁾ |

| | | Assuming Minimum Offering Only (\$) | Assuming 100% of Offering (\$) |
|---|--|--|---|
| G | Total available funds: $G = D + E + F$ | 1,252,000 | 1,513,000 |

⁽¹⁾ Represents funds receivable by the Company pursuant to a tenant improvement allowance.

How will we use the available funds?

The Company intends to use the available funds as follows:

| Description of Intended Use of Available Funds Listed in Order of Priority | Assuming Minimum Offering Only (\$) | Assuming 100% of Offering (\$) |
|---|--|---|
| Payroll and benefits | 870,000 | 870,000 |
| Sales and marketing expenses | 75,000 | 300,000 |
| Office expenses | 60,000 | 60,000 |
| Professional fees | 85,000 | 85,000 |
| Listing and filing fees | 20,000 | 20,000 |
| External consulting fees | 120,000 | 120,000 |
| Unallocated working capital | 22,000 | 58,000 |
| Total | 1,252,000 | 1,513,000 |

Notes:

1. The above-noted allocation of capital represents the Company's current intentions based upon its present plans and business condition, which could change in the future as its plans and business conditions evolve. Although the Company intends to use the proceeds from the Offering as set forth above, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary and may vary materially from that set forth above, as the amounts actually allocated and spent will depend on a number of factors, including the Company's ability to execute on its business plan. See "*Cautionary Note Regarding Forward-Looking Statements*".
2. The most recent condensed interim financial statements of the Company included a going concern note. Management is aware, in making its going concern assessment, of recurring losses, on-going negative cash flow and an ongoing dependence on financing activities that may cast significant doubt on the Company's ability to continue as a going concern. The Company is an artificial intelligence (AI) company in the business of developing SaaS AI Co-Pilot solutions 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 Offering is intended to permit the Company to continue its operations and is not expected to affect the decision to include a going concern note in the next annual financial statements of the Company.

3. None of the available funds will be paid to an insider, associate or affiliate of the Company, except for normal course salaries or consulting fees currently paid by the Company to its officers and/or directors.

How have we used the other funds we have raised in the past 12 months?

On November 17, 2022, the Company announced that it had closed a non-brokered private placement financing for aggregate gross proceeds of \$565,000 (the “**Financing**”). The Financing was comprised of units (each, a “**Unit**”) at a price of \$1,000 per Unit, with each Unit consisting of (i) one unsecured convertible debenture of the issuer 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 at a price of \$0.15 per Common Share, subject to standard adjustment mechanisms, and (ii) 3,335 share purchase warrants, each of which is exercisable into one Common Share at a price of \$0.30 per Common Share for a period of 36 months. As part of this announcement, the Company stated that it expected to use the proceeds of the Financing for further customer acquisition, marketing and general corporate purposes.

The table below provides a summary of how the Company used the proceeds of Financing. Given the general statement described above, there were no material variances from the prior disclosure and no corresponding impact on the issuer’s ability to achieve its business objectives and milestones.

| Description | Amount (\$) |
|------------------------------|-------------------------------|
| Payroll and benefits | 260,000 |
| Sales and marketing expenses | 80,000 |
| External consulting fees | 83,000 |
| Office expenses | 32,000 |
| Tenant improvements | 42,000 |
| Listing and filing fees | 5,000 |
| Professional fees | 3,000 |
| Total | 505,000 ⁽¹⁾ |

⁽¹⁾ Reflects the net proceeds of the Financing after the payment of fees and commissions.

FEES AND COMMISSIONS

Who are the dealers or finders that we have engaged in connection with this offering, if any, and what are their fees?

As of the date of this Offering Document, the Company has not engaged any dealers or finders in connection with the Offering.

The Company intends to pay cash finders’ fees in respect of up to \$300,000 of the Offering equal to 8% of the gross proceeds raised from the sale of Common Shares to investors directly introduced to the Company by eligible finders. In addition, the Company expects to issue Common Share purchase warrants equal to 8% of the number of Units issued to investors directly introduced to the Company by eligible finders in respect of up to \$300,000 of the Offering, with each warrant exercisable into one

Common Share at a price of \$0.15 per Common Share for a period of 36 months. Such warrants will be subject to the same acceleration conditions as the Warrants issuable to investors in the Offering.

The Company may also pay a flat referral fee to certain eligible finders.

PURCHASERS' RIGHTS

Rights of Action in the Event of a Misrepresentation

If there is a misrepresentation in this Offering Document, you have a right

- (a) to rescind your purchase of these securities with the Company, or
- (b) to damages against the Company and may, in certain jurisdictions, have a statutory right to damages from other persons.

These rights are available to you whether or not you relied on the misrepresentation. However, there are various circumstances that limit your rights. In particular, your rights might be limited if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in paragraph (a) or (b) above, you must do so within strict time limitations.

You should refer to any applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal adviser.

ADDITIONAL INFORMATION

Where can you find more information about us?

You can access the Company's continuous disclosure under its profile at www.sedar.com. The Company's website address is www.railtown.ai.

DATE AND CERTIFICATE

This Offering Document, together with any document filed under Canadian securities legislation on or after June 7, 2022, contains disclosure of all material facts about the securities being distributed and does not contain a misrepresentation.

Dated: June 7, 2023

(signed) "Cory Brandolini"

(signed) "Paul Woodward"

Cory Brandolini
Chief Executive Officer

Paul Woodward
Chief Financial Officer