

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of August 29, 2023 of the financial position of the Company and results of operations for the period ended June 30, 2023 and should be read in conjunction with the financial statements of Railtown AI Technologies Inc. ("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 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.

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

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.

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 August 29, 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.

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

- 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 June 30, 2023, 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.

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 June 30, 2023, the Company had a working capital of \$1,729,230 (September 30, 2022 – \$607,661).

During the period ended June 30, 2023, the Company had the following cash flows:

- i) cash used in operations of \$1,229,611 (2022 - \$1,224,934) relating to statement of loss and comprehensive loss adjusted for non-cash items.
- ii) cash used in investing activities of \$8,892 (2022 – \$6,005) relating to purchase of equipment and furniture's.
- iii) cash provided by financing activities of \$2,438,673 (2022 – \$1,943,592) arose from the proceeds of the convertible debenture and private placements.

As such, at June 30, 2023, the Company had cash on hand of \$1,878,644 (September 30, 2022 - \$678,474).

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.

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

In connection with the convertible debenture, 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.

During the period ended June 30, 2023, the Company:

- i) issued 100,000 common shares valued at \$40,000 pursuant to the issuance costs for the convertible debenture.
- ii) issued 13,766,332 units at a price of \$0.15 per unit for gross proceeds of \$2,064,950. Each unit is comprised of one common share and one-half transferable share purchase warrant, of which \$Nil was allocated to the warrant component of the unit offering completed. Each warrant will entitle the holder to purchase one common share at a price of \$0.25, expiring on or before a 36-month period after the closing date.

In connection with the financing, the Company paid cash of \$96,236, issued 100,000 common shares valued at \$15,000, and granted 541,573 brokers' warrants valued at \$107,900. Each brokers' warrants will entitle the holder to purchase one common shares at a price of \$0.15, expiring on or before a 36-month period after the closing date.

- iii) issued 1,061,309 common shares valued at \$111,166 pursuant to the exercise of the convertible debentures in settlement of \$101,777, and accordingly, the Company reallocated \$9,389 of convertible debentures - equity portion to share capital (note 6).

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.

Results of Operations for the nine months ended June 30, 2023

For the nine months ended June 30, 2023, the Company had a net loss of \$1,516,776 (2022 - \$972,804).

The significant differences between the two fiscal periods include:

- Consulting fees of \$171,409 (2022 - \$37,680) increased due to additional consultants engaged in areas related to recruitment, marketing, and AI during the current period.
- Depreciation of \$31,340 (2022 - \$8,395) increased due to depreciation on new right of use assets and leasehold improvements in current period.

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

- Financing charges on convertible debenture of \$62,706 (2022 - \$Nil) primarily due to the Company's issuance of convertible debenture during the current period.
- Marketing and promotion of \$118,796 (2022 - \$368,581) 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 \$100,220 (2022 - \$59,020) due to increase in staff, productivity software and overall activities during the current period.
- Professional fees of \$210,611 (2022 - \$123,997) increased primarily due to higher audit fees during the current period.
- Share-based compensation of \$101,966 (2022 – recovery of \$77,658) increased due to more options granted and vested in the current period.
- Salaries of \$651,599 (2022 - \$637,331) due to the continuing growth of the Company's team of developers during the current period.

Results of Operations for the three months ended June 30, 2023

For the three months ended June 30, 2023, the Company had a net loss of \$522,134 (2022 – income of \$53,049).

The significant differences between the two fiscal periods include:

- Consulting fees of \$91,211 (2022 - \$8,480) increased due to additional consultants engaged in areas related to recruitment, marketing, and AI during the current period.
- Financing charges on convertible debenture of \$27,625 (2022 - \$Nil) primarily due to the Company's issuance of convertible debenture during the current period.
- Marketing and promotion of \$6,166 (2022 - \$104,615) decreased primarily due to the Company's efforts to increase market awareness for financing opportunities ahead of its IPO during the prior period.
- Professional fees of \$83,354 (2022 - \$13,834) increased primarily due to higher audit fees during the current period.

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

Quarterly Information

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

Period	Apr 1 – Jun 30/23	Jan 1 – Mar 31/23	Oct 1 – Dec 31/22	Jul 1 – Sep 30/22
Revenue	\$ -	\$ -	\$ -	\$ -
Loss (income) for the Period	\$ 522,134	\$ 536,610	\$ 458,032	\$ 417,940
Net Income (Loss) / Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 1,878,644	\$ 392,094	\$ 769,485	\$ 678,474
Current Assets	\$ 1,910,944	\$ 427,969	\$ 849,468	\$ 749,633
Working Capital	\$ 1,729,230	\$ 214,036	\$ 675,020	\$ 607,661

Period	Apr 1 – Jun 30/22	Jan 1 – Mar 31/22	Oct 1 – Dec 31/21	Jul 1 – Sep 30/21
Revenue	\$ -	\$ -	\$ -	\$ -
Loss (income) for the Period	\$ (54,069)	\$ 518,930	\$ 507,943	\$ 660,179
Net Income (Loss) / Share	\$ 0.00	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 967,800	\$ 993,481	\$ 1,400,970	\$ 275,147
Current Assets	\$ 1,131,802	\$ 1,222,765	\$ 1,712,063	\$ 316,532
Working Capital	\$ 1,020,772	\$ 1,143,159	\$ 1,641,667	\$ 141,352

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.

During the quarter ended March 31, 2023, the Company had a loss of \$536,610 (December 31, 2022 – \$458,032) the increase was primarily due to marketing of \$62,308, professional fees of \$63,733 and financing charges on convertible debenture of \$23,387 during the quarter.

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

During the quarter ended June 30, 2023, the Company had a loss of \$522,134 (March 31, 2022 – \$536,610) the increase was primarily due to professional fees of \$83,354 and financing charges on convertible debenture of \$27,625 during the quarter.

Transactions with Related Parties

During the period ended June 30, 2023, the Company paid or accrued:

- rent expenses of \$Nil (2022 - \$10,000) to Conation Capital Corp., a company of which Paul Woodward, the Company's CFO is a director.
- salaries of \$262,033 (2022 - \$261,426) 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 June 30, 2023 condensed interim financial statements on www.sedarplus.ca for additional details.

Recently adopted accounting policies and future accounting pronouncements

Please refer to the June 30, 2023 condensed interim financial statements on www.sedarplus.ca 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:

91,602,040 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	1,850,000
May 13, 2026	\$0.25	125,000	125,000
February 9, 2028	\$0.25	1,250,000	350,000
		3,275,000	2,235,000

RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended June 30, 2023

Warrants:

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

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Warrants Outstanding</u>
November 16, 2025	\$0.30	1,884,275
November 16, 2025	\$0.15	234,933
June 21, 2026	\$0.25	5,521,666
June 21, 2026	\$0.15	488,053
June 27, 2026	\$0.25	1,361,500
June 27, 2026	\$0.15	53,520
		<u>9,543,947</u>

Fully diluted:

104,420,987 common shares as at the date of this MD&A.