

RAILTOWN AI TECHNOLOGIES INC.

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

General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of January 26, 2024 of the financial position of the Company and results of operations for the year ended September 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, 2023. The financial statements have been prepared in accordance International Financial Reporting Standards ("IFRS") as issued by 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.

Railtown AI Technologies is a developer of an Artificial Intelligence platform that is designed to allow Software developers the ability to extract much deeper knowledge about their application and their team.

The Company's platform performs a variety of functions from understanding the root cause of every issue at the earliest stage of the development pipeline to knowledge around the history of all documentation, builds, deployments, assigned tasks, engineering performance and velocity to performing tasks ranging from automated progress reports to ticket and documentation generation.

The platform continually learns and provides actionable knowledge for every stakeholder in the company from the developers all the way up to c-level management.

Root Cause Analyzer

The Railtown Platform 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 Platform seamlessly integrates with ticket tracking systems like Azure DevOps, Jira, Asana or Trello, CI/CD build processes and application logs.

Once launched the Root Cause Analyzer will detect errors at the earliest stage in the CI/CD pipeline and will then surface these errors with meaningful descriptions as alerts and send directly into your team channels on Slack or Microsoft Teams so that dev 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 Root Cause Analyzer has a deep understanding of how each error affects an application and then prioritizes each error as they surface which will achieve more timely fixes on critical errors by knowing what to act on first. Simultaneously the Agent intelligently categorizes errors and correlates them with completed work items which gives the dev team the ability to track the fix all the way to production.

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AI Assistant

The AI Assistant is a knowledge-based agent trained on the data and logic from tickets, comments, builds, deployments, logs, and wikis of any software application that is connected to the Railtown platform, this will give the agent 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 as well as execute tasks.

The Assistant is trained on a vast amount of data related to the software application, enabling it to quickly learn, understand and deliver reason-based relevant information. It leverages Railtown's Machine Learning technology to understand developers' questions and execute tasks in real-time.

The Assistant 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 Conductor specific questions or describe the problem that they are facing, and the Assistant will provide relevant and actionable information to help solve the problem and execute the solution. The Assistant also learns from the feedback it receives from the developers and continuously improves its ability to perform tasks and provide reason-based answers. The more it is used, the more knowledge it acquires, making it an increasingly valuable resource for the software development team.

Velocity Dashboards

Provides metrics on the speed and efficiency of creating, modifying, and deploying builds and fixes. Tracks performance application and team, helps to determine team capacities, facilitates development planning and forecasting, enables evaluation of velocity improvements compared to cost of engineering and enables management to recognize strengths and weaknesses within team.

Release Notes Automator

Automatically generates release notes for users, developers, team leads, marketing and managers.

The Release Notes Automator 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 the Release Notes Automator, 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.

Ticket Documentation Generator

The Ticket Generator generates, and pushes requested work item ticket into a development team's preferred project management tool. The AI engine draws on knowledge of previous tickets to inform the creation of requested ticket and automatically creates to work item and documentation posted inside the ticket. This accelerates the ticket creation process through the developers using natural language chat prompts. This process will establish consistency across all documentation.

Progress Report Automator

Similarly, to the Release Note Automator the platform will also automatically generate progress reports in the form of executive summaries of all milestones, new builds, and deployments. This very proactive function gives the engineering team and c-level management the ability to simply ask the AI Assistant to create a progress report by prompting the assistant with the parameters of the report required.

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API No Code Virtual Developer

This function allows the developer community to create new platform features and software solutions on top of the Railtown platform with no code prompting. This will allow users to freely contribute to the platform's overall functionality as well giving each user the ability to customize Railtown to their own specific needs and use case. Opening up the Railtown API elevates Railtown to a fully open developer platform.

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 January 26, 2024.
- 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, 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.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

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Liquidity and Capital Resources

As at September 30, 2023, the Company had a working capital of \$1,102,021 (2022 – \$607,661).

During the year ended September 30, 2023, the Company had the following cash flows:

- i) cash used in operating activities of \$2,428,928 (2022 – \$1,522,646) relating to statement comprehensive loss adjusted for non-cash items.
- ii) cash used in investing activities of \$13,626 (2022 – \$6,005) relating to purchase of equipment and furniture.
- iii) cash provided by financing activities of \$2,437,020 (2022 – \$1,931,978) arose from the proceeds of the convertible debenture and private placements.

As such, at September 30, 2023, the Company had cash on hand of \$672,940 (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.

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 valued at \$12,000.

During the year ended September 30, 2023, the Company:

- i) issued 100,000 common shares valued at \$12,000 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, and granted 541,573 brokers' warrants valued at \$67,600. 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 \$131,545 pursuant to the exercise of the convertible debentures in settlement of \$117,259, of which \$15,961 was accrued interest, and accordingly, the Company reallocated \$9,732 of the convertible debenture equity portion and \$4,554 of contribution surplus to share capital.
- iv) issued 66,400 common shares pursuant to exercise of warrants.

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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 year ended September 30, 2023

For the year ended September 30, 2023, the Company had a net loss of \$2,193,977 (2022 - \$1,390,744).

The significant differences between the two fiscal years include:

- Consulting fees of \$382,202 (2022 - \$54,930) increased due to additional consultants engaged in areas related to recruitment, marketing, and AI during the current year.
- Depreciation of \$43,090 (2022 - \$19,572) increased primarily because the Company had the leased property for a full year in 2023 versus 5 months in 2022 during current year.
- Accretion and interest on convertible debenture of \$82,303 (2022 - \$Nil) primarily due to the Company's issuance of convertible debenture during the current year.
- Marketing and promotion of \$127,781 (2022 - \$484,514) decreased primarily due to the Company's efforts to increase market awareness ahead of its IPO during the prior year.
- Professional fees of \$276,941 (2022 - \$189,423) increased primarily due to additional legal services rendered during the current year.
- Share-based compensation of \$150,071 (2022 – recovery of \$69,448) increased due to more options granted and vested in the current year.
- Salaries of \$981,960 (2022 - \$842,344) increased due to the growth of the Company's team of developers during the current year.

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

For the three months ended September 30, 2023, the Company had a net loss of \$677,201 (2022 – \$417,940).

The significant differences between the two fiscal periods include:

- Consulting fees of \$210,793 (2022 - \$17,250) increased due to additional consultants engaged in areas related to recruitment, marketing, and AI during the current period.

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- Filing fee of \$13,580 (2022 - \$3,160) increased due to the Company having a full year as a listed entity during the current period and associated transfer agent costs.
- Accretion and interest on convertible debenture of \$19,597 (2022 - \$Nil) primarily due to the Company's issuance of convertible debenture during the current period.
- Marketing and promotion of \$8,985 (2022 - \$114,933) decreased primarily due to the Company's concentration on product development during the current period.
- Salaries of \$330,361 (2022 - \$205,013) due to the growth of the Company's team of developers during the current period.
- Share-based compensation of \$119,611 (2022 – \$8,210) increased due to more options granted and vested in the current year.

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Quarterly Information

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

Period	Jul 1 – Sep 30/23	Apr 1 – Jun 30/23	Jan 1 – Mar 31/23	Oct 1 – Dec 31/22
Revenue	\$ -	\$ -	\$ -	\$ -
Loss for the Period	\$ 677,201	\$ 522,134	\$ 536,610	\$ 458,032
Net Income (Loss) / Share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Cash	\$ 672,940	\$ 1,878,644	\$ 392,094	\$ 769,485
Current Assets	\$ 1,254,840	\$ 1,910,944	\$ 427,969	\$ 849,468
Working Capital	\$ 1,102,021	\$ 1,729,230	\$ 214,036	\$ 675,020

Period	Jul 1 – Sep 30/22	Apr 1 – Jun 30/22	Jan 1 – Mar 31/22	Oct 1 – Dec 31/21
Revenue	\$ -	\$ -	\$ -	\$ -
Loss (income) for the Period	\$ 417,940	\$ (54,069)	\$ 518,930	\$ 507,943
Net Income (Loss) / Share	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ (0.01)
Cash	\$ 678,474	\$ 967,800	\$ 993,481	\$ 1,400,970
Current Assets	\$ 749,633	\$ 1,131,802	\$ 1,222,765	\$ 1,712,063
Working Capital	\$ 607,661	\$ 1,020,772	\$ 1,143,159	\$ 1,641,667

During the quarter ended December 31, 2021, the Company 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 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 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 \$66,330 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 \$63,524 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.

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

During the quarter ended September 30, 2023, the Company had a loss of \$677,201 (June 30, 2023 – \$522,134). The increase was primarily due to consulting fees of \$210,793 and salaries of \$242,925 during the quarter.

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Transactions with Related Parties

During the year ended September 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 \$348,271 (2022 - \$347,298) paid or accrued to directors and officers of the Company.

Financial Instruments

The Company's financial instruments consist of cash, trade payables and accrued liabilities, lease liabilities, and convertible debenture. 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 September 30, 2023 financial statements on www.sedarplus.ca for additional details.

Recently adopted accounting policies and future accounting pronouncements

Please refer to the September 30, 2023 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
November 1, 2028	\$0.25	1,100,000	50,000
March 15, 2026	\$0.25	1,900,000	1,700,000
May 13, 2026	\$0.25	125,000	125,000
February 9, 2028	\$0.25	1,250,000	500,000
		4,375,000	3,425,000

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Warrants:

The 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	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
		<hr/> 9,543,947

Fully diluted:

105,520,987 common shares as at the date of this MD&A.