RAILTOWN AI TECHNOLOGIES INC.

Management's Discussion and Analysis of Financial Position and Results of Operations
For the period ended December 31, 2024

General

This Management Discussion and Analysis ("MD&A") has been prepared by management as of February 28, 2025 of the financial position of the Company and results of operations for the period ended December 31, 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, 2024. 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 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.

Railtown has developed a suite of AI Solutions for developers built upon its Conductor Application General Intelligence model.

Railtown AGI Conductor I

- Ingestion of all forms of development and application data (Tickets to Builds and Deployments to Logs)
- Development of an AGI Model that understands all aspects of software development. It is always available to assist users by answering questions related to their project, automate simple tasks like progress reports, release notes, onboarding, and can also understand and make sense of events like bug discovery, root cause understanding, and ticket matching.

Railtown AGI Conductor II

- Railtown AGI model integrates with all data sources and can streamline, manage and automate all aspects of development and the Continuous Integration and Continuous Deployment {CI/CD} process.
- Not only can it understand and respond to information ingested into the model(Conductor), but also it can act by pushing data and decisions back into the integrations, for example: generate tickets automatically, write and test bug fixes, update infrastructure settings, etc.
- Working towards complete automation of the entire process through additional integrations such as code co- pilots and infrastructure and deployment management. Multi-step reasoning and higher order insights, increased efficiency and increased velocity.

Railtown AGI Conductor III

- Additional Functionality is focused around source code integration and understanding actions and orchestrating sequences of actions to accomplish specific goals to improve developer and team productivity. The functionality will enable teams to identify and resolve issues earlier in the development process and move quicker.

- The Conductor will be able to pin-point specific root causes of encountered errors within the code base, associated library dependencies or deployment environment. It will be able analyse the source code and identify some potential bugs before the code is even deployed. Once deployed, if an error were to be encountered, it can automate tasks and processes associated with fixing the error, including suggesting potential code changes that may fix the error, automatically generating pull requests and associated documentation for the fix, and then automatically spinning up a custom test environment to verify that the fix has indeed solved the problem.

Deep Application Understanding

The system continually trains on a client's application to understand its functionalities, workflows, and underlying architecture. It also provides comprehensive knowledge to stakeholders, from developers to C-level management, through natural language prompts.

Task Automation

The system automates a wide range of tasks associated with the client's application, from routine and repetitive processes to more complex workflows. This automation capability can significantly increase efficiency, team velocity while improving documentation, technical debt and reducing manual effort.

Adaptive Learning

The system learns from and adapts based on user interactions and changes in the application environment. This adaptive learning enables the system to continually improve its performance and remain up to date with any application modifications or updates.

Monitoring and Reporting

The system monitors its own performance and provides detailed reports on automated tasks, including generating executive summaries of any deployment, completed ticket sets, documentation and technical debt.

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 28, 2025.

- 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, 2024, 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.

Liquidity and Capital Resources

As at December 31, 2024, the Company had a working capital of $1,217,044 (September 30, 2024 – $481,047).

During the period ended December 31, 2024, the Company had the following cash flows:

i) cash used in operating activities of $1,131,928 (2023 – $551,795) relating to the statement of comprehensive loss adjusted for non-cash items.

ii) cash used in investing activities of $nil (2023 – $2,139) relating to purchase of equipment and furniture.

iii) cash provided by financing activities of $1,959,649 (2023 – $-11,614) related to proceeds from private placements and exercise of warrants.

As such, at December 31, 2024, the Company had cash on hand of $2,496,242 (2023 - $107,392).

Contractual Obligations

<u>Leased Office</u>

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

Proposed Transactions

The Company has executed an MOU for the acquisition of AI Partnerships Corp. ("AIP"). (the "Acquisition Transaction" or "Transaction" or "Acquisition"), a Toronto-based company that has established an Affiliate network of over 160, primarily North American, AI-SaaS companies that provide AI-based vertical market solutions and AI development and management tools. The acquisition will create a dynamic organization that drives substantial revenue growth and scales enterprise AI solutions worldwide. Both companies are working toward finalizing a Letter of Intent (the "LOI") to formalize the acquisition.

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 period ended December 30, 2024

For the period ended December 31, 2024, the Company had a net loss of $2,140,582 (2023 - $760,735).

The significant differences between the two fiscal years include:

- Consulting fees of $ 111,909 (2023 - $267,034) decreased due to the classification of Investor relations and Marketing expense into its own category during the current period.

- Investor relations of $92,063 (2023 - $nil) increased primarily due to the Company's efforts to promote investor relationships to facilitate financing opportunities and awareness in support of its US listing during the current period.

- Marketing and promotion of $422,756 (2023 - $9,191) increased primarily due to the Company's concentrated efforts to increase market awareness of their products during the current period.

- Professional fees of $13,675 (2023 - $41,253) decreased primarily due to fewer legal services rendered during the current period.

- Office expenses of $151,789 (2023 - $27,821) increased due to increased overall activities during the current period.

- Product development of $18,736 (2023 - $nil) increased use of outsourced front-end developers during the current period.

- Share-based compensation of $902,599 (2023 - $21,408) increased due to options being granted and vested in the current period.

- Salaries of $367,720 (2023 - $321,022) increased due to the growth of the Company's team of developers during the current period.

- Travel of $14,563 (2023 - $2,597) increased due to increased business travel related activities during the current period.

Quarterly Information

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

Period	Oct 1 – Dec 31/24		Jul 1 – Sep 30/24		Apr 1 – Jun 30/24		Jan 1 – Mar 31/24	
Revenue	$	-	$	-	$	-	$	-
Loss for the Period	$	2,140,582	$	2,998,414	$	2,241,403	$	1,087,062
Net Loss / Share	$	(0.02)	$	(0.02)	$	(0.01)	$	(0.01)
Cash	$	2,496,242	$	1,668,521	$	1,924,099	$	1,925,982

Current Assets	$	2,786,685	$	2,075,367	$	2,286,059	$	2,219,970
Working Capital	$	1,217,044	$	481,047	$	795,861	$	2,015,275

Period	**Oct 1 – Dec 31/23**		**Jul 1 – Sep 30/23**		**Apr 1 – Jun 30/23**		**Jan 1 – Mar 31/23**	
Revenue	$	-	$	-	$	-	$	-
Loss for the Period	$	760,719	$	677,201	$	522,134	$	536,610
Net Loss / Share	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.01)
Cash	$	107,392	$	672,940	$	1,878,644	$	392,094
Current Assets	$	527,485	$	1,254,840	$	1,910,944	$	427,969
Working Capital	$	364,429	$	1,102,021	$	1,729,230	$	214,036

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 $48,617 and salaries of $330,361 during the quarter.

During the quarter ended December 31, 2023, the Company had a loss of $760,719 (September 30, 2023 – $677,201). The increase was primarily due to consulting fees of $267,034 and salaries of $321,022 during the quarter.

During the quarter ended March 31, 2024, the Company had a loss of $1,087,062 (December 31, 2023 – $760,719). The increase was primarily due to consulting fees of $312,934 and salaries of $359,055 during the quarter.

During the quarter ended June 30, 2024, the Company had a loss of $2,241,403 (March 31, 2024 – $1,087,062). The increase was primarily due to consulting fees of $284,662, salaries of $381,763, and loss on change in fair value of warrants of $611,082 during the quarter.

During the quarter ended September 30, 2024, the Company had a loss of $2,998,414 (June 30, 2024 – $2,241,403). The increase was primarily due to consulting fees of $305,333, salaries of $356,596, and investor relations of $456,264 and marketing of $1,391,372 during the quarter.

During the quarter ended December 31, 2024, the Company had a loss of $2,140,582 (September 30, 2024 – $2,998,414). The decrease was primarily due to consulting fees of $111,909, investor relations of $92,063, marketing of $422,756, and product development of $18,736 during the quarter.

Related Party Transactions

During the period ended December 31, 2024, the Company paid or accrued:

- salaries of $105,000 (2023 - $83,162) paid or accrued to directors and officers of the Company
- share-based compensation of $588,429 (2023 - $Nil) to directors and officers of the Company

As of December 31, 2024, receivables include a loan of $35,000 (2023 – 35,000). The loan to a director of the Company at a rate of 5% per annum with maturity at April 29, 2025 is secured by shares of a publicly traded company.

Financial Instruments

Readers should refer to the December 31, 2024 financial statements and September 30, 2024 audited consolidated financial statements on www.sedarplus.ca for additional details.

Recently adopted accounting policies and future accounting pronouncements

Please refer to the December 31, 2024 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:

139,121,411 common shares as at the date of this MD&A.

Options:

Expiry Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
March 15, 2026	$0.25	1,900,000	1,900,000
May 13, 2026	$0.25	125,000	125,000
February 9, 2028	$0.25	1,250,000	1,210,000
November 1, 2028	$0.25	1,100,000	360,000
November 22, 2029	$0.50	2,800,000	1,950,000
		7,175,000	5,545,000

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	1,283,975
November 16, 2025	$0.15	202,079
December 7, 2025	US$0.24	2,640,750
January 12, 2026	US$0.42	3,500,000
January 12, 2026	US$0.21	519,618
February 15, 2026	$0.30	75,000
February 15, 2026	$0.15	14,167
February 28, 2026	$0.30	6,422,800
February 28, 2026	$0.15	1,488,000
March 1, 2026	$0.30	598,500
March 1, 2026	$0.15	14,400
June 21, 2026	$0.25	3,776,666
June 21, 2026	$0.15	335,215

June 27, 2026	$0.25	1,027,000
June 27, 2026	$0.15	53,520
December 9, 2026	$0.60	3,500,000
December 9, 2026	$0.30	545,602
June 7, 2029	US$0.125	262,666
		26,259,958

Fully diluted:

172,556,369 common shares as at the date of this MD&A.