

Railtown Capital Corp.
Management's Discussion and Analysis for the period ended August 31, 2021

This Management's Discussion and Analysis ("MD&A") for the period ended August 31, 2021, prepared as of October 14, 2021, should be read in conjunction with the unaudited condensed interim financial statements for the three and nine months ended August 31, 2021 of Railtown Capital Corp. (the "Company" or "Railtown"), together with the audited financial statements of the Company for the period ended November 30, 2020, as well as the accompanying MD&A for the year then ended (the "Annual MD&A").

COMPANY OVERVIEW

Railtown Capital Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act of British Columbia on June 22, 2020. The Company is listed on the TSX Venture Exchange ("TSXV") and classified as a capital pool company as defined by TSXV Policy 2.4 ("Policy 2.4"). The Company's objective is to complete a Qualifying Transaction ("QT") as defined under Policy 2.4 by identifying and evaluating potential business acquisitions and to subsequently negotiate acquisition or participation agreements subject to regulatory and shareholder approvals. The shares in the Company were listed on the TSXV on February 1, 2021 under the trading symbol "RLT.P".

COMPANY HIGHLIGHTS

Current highlights (including subsequent events up to October 14, 2021) include:

Initial Public Offering

On January 28, 2021, the Company completed its initial public offering (the "Offering" or "IPO") issuing 5,000,000 common shares ("Common Shares") in the capital of the Company at a price of \$0.10 per Common Share for gross proceeds of \$500,000. Pursuant to the completion of the IPO, the Company paid a cash commission of 10% of the gross proceeds and issued 500,000 agents' warrants valued at \$36,957, each warrant exercisable into one Common Share at an exercise price of \$0.10, expiring 60 months from the date that the Common Shares are listed on the TSXV.

Private Placement

Concurrent with the IPO, the Company completed a non-brokered private placement, issuing 3,000,000 common share at a price of \$0.10 per Common Share for gross proceeds of \$300,000.

In connection with the IPO and private placement, the Company paid cash share-issuance costs of \$85,560.

Proposed Qualifying Transaction

On February 19, 2021, the Company signed a non-binding letter of intent (the "LOI") with Sparx Technology Inc. ("Sparx"), an arm's length private company incorporate under the laws of Canada, to effect a transaction that will result in a reverse takeover of Railtown by Sparx (the "Sparx Transaction").

On May 17, 2021, the Company announced that the LOI between Railtown and Sparx has been terminated by mutual consent.

During the nine months ended August 31, 2021, the Company expensed a total of \$56,495 of transaction costs related to the LOI to consulting and professional fees.

BUSINESS OVERVIEW

Railtown is working to complete a QT in order to qualify as a Tier 1 or Tier 2 Issuer on the TSXV. Any proposed qualifying transaction is still subject to approval by the Exchange and there can be no assurance that in the event that a QT is secured and approved that the Company will be able to secure any necessary financing.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results since June 22, 2020 (date of incorporation) is as follows:

| Three months ended (\$) | August 31, 2021 | May 31, 2021 | February 28, 2021 | November 30, 2020 |
|---|--|-------------------------|------------------------------|------------------------------|
| | \$ | \$ | \$ | \$ |
| Revenues | - | - | - | - |
| Net loss | (11,019) | (70,333) | (144,554) | (24,837) |
| Net loss per share – (basic and diluted) ² | (0.00) | (0.01) | (0.02) | (0.01) |
| Total assets | 804,533 | 814,629 | 896,108 | 244,018 |
| Three months ended (\$) | August 31, 2020¹ | | | |
| | \$ | | | |
| Revenues | - | | | |
| Net loss | (6,863) | | | |
| Net loss per share – (basic and diluted) ² | (0.10) | | | |
| Total assets | 249,980 | | | |

¹ The period ended August 31, 2020 covers the period from June 22, 2020 (date of incorporation) to August 31, 2020.

² The basic and diluted loss per share calculation results in the same value due to the fact that the effect of outstanding options and warrants are not included in a net loss per share calculation. No options or warrants were outstanding prior to the 3 months ended February 28, 2021.

RESULTS OF OPERATIONS

Three and Nine months ended August 31, 2021

During the three and nine months ended August 31, 2021, the Company reported a net loss of \$11,019 and \$225,906 respectively or \$0.00 and \$0.02 per share (period ended August 31, 2020 - \$6,863 and \$6,963 or \$0.10 and \$0.10 per share. The most significant expenses were as follows:

Consulting fees - \$6,000 and \$21,000 (2020 - \$nil and \$nil)

The Company incurred \$6,000 and \$21,000 in consulting fees for the three and nine months ended August 31, 2021, respectively. Consulting fees for the period relate primarily to the consulting costs related to the Sparx Transaction that were expensed when the transaction was terminated.

Filing fees - \$347 and \$21,736 (2020 - \$nil and \$nil)

The Company incurred \$347 and \$21,736 for the three and nine months ended August 31, 2021, respectively. The filing fees relate primarily to the completion of the Company's IPO and private placement.

Professional fees - \$4,462 and \$85,565 (2020 - \$6,843 and \$6,843)

Professional fees include legal assistance for general corporate and regulatory matters as well as accounting fees. The Company incurred \$4,462 and \$85,565 of professional fees for the three and nine months ended August 31, 2021, respectively. Professional fees during the nine months ended August 31, 2021 largely relate to professional fees related to the Sparx Transaction and legal assistance related to the completion of the Company's IPO. In the period ended August 31, 2020, professional fees related to legal assistance for general corporate and regulatory matters as well as accounting fees.

Share-based compensation- \$nil and \$96,088 (2020 - \$nil and \$nil)

The Company incurred \$nil and \$96,088 in share-based compensation for the three and nine months ended August 31, 2021, respectively. The share-based compensation charge related to the issuance of a total of 1,300,000 stock options to directors and officers of the Company effective January 28th, 2021.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Net working capital including cash

As at August 31, 2021, the Company had \$804,533 in cash and working capital of \$800,172. The increase in working capital during the period was primarily due to the \$500,000 of gross proceeds received from the IPO and \$300,000 provided from the private placement during the period offset by the Company's net loss of \$221,156 and cash share-issuance costs of \$85,560.

Operating activities

Cash used in operating activities for the period ended August 31, 2021 was \$153,925. The cash used in operating activities related to the Company's net loss for the period as well as the Company's changes in working capital items.

Financing activities

Cash provided by financing activities for the period ended August 31, 2021 was \$729,440. The cash provided by financing activities during the period ended August 31, 2021 related mostly to the IPO and private placement that occurred during the period.

Capital expenditures

There were no capital expenditures during the period.

Liquidity and capital resources

As at August 31, 2021, the Company had a working capital of \$800,172. The Company is dependent on external financing to fund its activities. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to it.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The Company's related parties consist of the Company's directors and officers, and any companies associated with them. During the nine months ended August 31, 2021, the Company entered into the following transactions with related parties:

- Effective January 28th, 2021 the Company issued a total of 1,300,000 incentive stock options to directors and officers of the Company in accordance with the terms of the Company's stock option plan. The options are exercisable for up to 10 years at a price of \$0.10 per share.

The Company recognized \$96,088 in share-based compensation as a result of the grant of the options. No other compensation was paid or is payable to directors or officers.

FINANCIAL INSTRUMENTS

Classification of financial instruments

The Company's financial instruments consist of cash and accounts payable. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

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The classification of the financial instruments as well as their carrying values as at August 31, 2021 is shown in the table below

| At August 31, 2021 | Assets – Amortized cost | Liabilities – Amortized cost | Total |
|--|------------------------------------|---|--------------|
| | \$ | \$ | \$ |
| Financial assets | | | |
| Cash | 804,533 | - | 804,533 |
| Total financial assets | 804,533 | - | 804,533 |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | - | 4,361 | 4,361 |
| Total financial liabilities | - | 4,361 | 4,361 |

The classification of the financial instruments as well as their carrying values as at November 30, 2020 is shown in the table below

| At November 30, 2020 | Assets – Amortized cost | Liabilities – Amortized cost | Total |
|--|------------------------------------|---|--------------|
| | \$ | \$ | \$ |
| Financial assets | | | |
| Cash | 229,018 | - | 229,018 |
| Total financial assets | 229,018 | - | 229,018 |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | - | 28,468 | 28,468 |
| Total financial liabilities | - | 28,468 | 28,468 |

Note that the fair values approximate the carrying values due to their short-term nature.

Financial and capital risk management

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Discussions of risks associated with financial assets and liabilities are detailed below:

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a cash loss is limited as the Company's liabilities are non-interest bearing. The Company considers this risk to be immaterial.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company considers credit risk with respect to its cash to be immaterial as cash is held through large Canadian financial institutions.

c) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as

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anticipated investing and financing activities. Accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand, and are subject to normal trade terms. The Company has working capital of \$800,172 as at August 31, 2021.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies with the most significant effect on the amounts recognized in the Company's financial statements are as follows:

a) Going concern

In preparing the financial statements on a going concern basis, Management's critical judgment is that the Company will be able to meet its obligations and continue its operations for the next twelve months.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on the Company's financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

a) Deferred income taxes

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates at the reporting date in effect for the period in which the temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period that includes the enactment date. The recognition of deferred income tax assets is based on the assumption that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

b) Share based compensation

Management uses the Black-Scholes option pricing model to determine the fair value of employee stock options. This model required assumptions of the expected future price volatility of the Company's common shares, expected life of the options, future risk-free interest rates and the dividend yield of the Company's common shares.

SECURITIES OUTSTANDING

Authorized share capital: The Company can issue an unlimited number of common shares with no par value.

| | |
|---|------------|
| Issued and Outstanding Common Shares as at October 14, 2021 | 13,000,000 |
| Fully Diluted | 13,000,000 |

RISKS AND UNCERTAINTIES

Financing risks

The Company has incurred losses since inception. The continued operations of the Company are dependent on its ability to generate future cash flow and obtain additional financing. The Company has financed its cash requirements through the issuance of common shares. As at August 31, 2021, the Company estimates it has sufficient funds to continue its operations for the next 12 months.

COVID-19

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. The impact on the Company is not currently determinable but management continues to monitor the situation.

FORWARD-LOOKING INFORMATION

The Company's condensed interim financial statements for the period ended August 31, 2021, and this accompanying MD&A, contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, Continuous Disclosure Obligations of the Canadian Securities Administrators. It is important to note that, unless otherwise indicated, forward-looking statements in this MD&A describe the Company's expectations up to the date of the MD&A.

Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms acceptable to the Company and the ability of third-party service providers to deliver services in a timely manner. Some of these risks and uncertainties are identified under the heading "**RISKS AND UNCERTAINTIES**" as disclosed elsewhere in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by securities law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

OUTLOOK

Railtown Capital Corp. is continuing its search for a business opportunity on which to complete a Qualifying Transaction.