



Toggle3D.ai

TOGGLE3D.AI INC.

Management's Discussion and Analysis

**For the three months ended October 31, 2023
and the period from February 14 (incorporation) to October 31, 2023**

(Unaudited - Expressed in Canadian dollars)

TOGGLE3D.AI Inc.

Management's Discussions & Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of TOGGLE3D.AI Inc. ("Toggle3D" or the "Company") provides analysis of the Company's financial results for the three months ended October 31, 2023 and for the period from February 14 (incorporation) to October 31, 2023 and should be read in conjunction with the Company's unaudited condensed interim financial statements (the "financial statements") for three months ended October 31, 2023 and for the period from February 14 (incorporation) to October 31, 2023 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. For further information on the Company, reference should be made to its public filings on SEDAR+ at <https://www.sedarplus.ca>.

For the purposes of preparing this MD&A, management, in conjunction with the Board, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Toggle3D shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A is current as of December 21st, 2023 and was approved by the Company's Board of Directors.

In this MD&A, "Toggle3D" or the words "we", "us", or "our", collectively refer to TOGGLE3D.AI Inc. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The year-to-date period from February 14 (incorporation) to October 31, 2023 is referred to as "YTD 2023".

Management is responsible for the preparation and integrity of the Company's financial statements, including the maintenance of appropriate information systems, procedures, and internal controls. Management is responsible for ensuring that information disclosed externally, including the information contained within the Company's financial statements and MD&A, is complete and reliable.

This MD&A includes trademarks, such as "Toggle3D.ai", which are protected under applicable intellectual property laws and are the property of Toggle3D.ai. Solely for convenience, our trademarks and trade names referred to in this MD&A may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names. All other trademarks used in this MD&A are the property of their respective owners.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that relate to our current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the economy generally;
- market participants' interest in Toggle3D.ai's services and products, both in respect of its current offerings and its proposed roll-out of future products and services;
- fluctuations in foreign currency exchange rates;
- business prospects and opportunities;
- anticipated and unanticipated costs;
- management's outlook regarding future trends;
- our expectations regarding our revenue, expenses and operations;
- our anticipated cash needs and our needs for additional financing;
- our plans for and timing of expansion of our solutions and services;
- our future growth plans including the entry into adjacent markets;

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- the acceptance by our customers and the marketplace of new technologies and solutions;
- our ability to attract new customers and develop and maintain existing customers;
- our ability to attract and retain personnel;
- our future growth and its dependence on continued development of our direct sales force and their ability to obtain new customers;
- our expectations with respect to advancement in our technologies;
- our competitive position and our expectations regarding competition;
- regulatory developments and the regulatory environments in which we operate;
- anticipated trends and challenges in our business and the markets in which we operate
- an increased demand for 3D content and experiences;
- the anticipated benefits of our product offerings and services; and
- the retention of earnings for corporate purposes and the payment of future dividends.

Forward-looking statements are based on certain assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments and other factors we believe are appropriate. Expected future developments include growth in our target market, an increase in our revenue based on trends in customer behaviour, increasing sales and marketing expenses, research and development expenses and general and administrative expenses based on our business plans. Although we believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect.

Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties, including those set forth below under the heading "Risks and Uncertainties". These risks and uncertainties could cause our actual results, performance, achievements and experience to differ materially from the future expectations expressed or implied by the forward-looking statements. In light of these risks and uncertainties, readers should not place undue reliance on forward-looking statements.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A and are expressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

Readers should read this MD&A with the understanding that our actual future results may be materially different from what we expect.

All of the forward-looking statements in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

BUSINESS OVERVIEW

Toggle3D.AI Inc. ("Toggle3D" or the "Company") develops and operates intellectual property which includes the Toggle3D web application. Toggle3D is a software as a service solution that utilizes generative artificial intelligence to convert computer-aided design files, apply 4K texturing, and enable seamless publishing of superior 4K 3D models. With its Augmented Reality-based rapid prototyping web app, Toggle3D empowers designers, artists, marketers, and eCommerce owners to effortlessly convert, texture, customize, and publish high-quality 3D models and experiences, regardless of technical or 3D design expertise.

HIGHLIGHTS

During the period from February 14 (incorporation) to the date of this report the Company:

- On June 6, 2023, Nextech3D.ai Shareholders Approve IPO Spin-out of Its Generative-AI CAD-3D Design Studio "Toggle3D.ai".
- On June 8, 2023, Nextech3D.ai's Generative AI CAD-3D Design Studio "Toggle3D" Goes Live.
- On June 13, 2023, Nextech3D.ai AI- IPO Spin-off Toggle3D.ai Approved By The Canadian Securities Exchange (CSE) to Trade on Wednesday June 14th Symbol: TGGL.
- On June 14, 2023, Toggle3D.ai Begins Trading on the Canadian Securities Exchange (CSE: TGGL)

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- On July 5, 2023, Toggle3D.ai - the Generative AI CAD-3D Model SaaS Studio Begins Trading in the USA Under the Stock Symbol: TGGLF.
- On July 27, 2023, Toggle3D.ai Experiences Exponential User Growth, Surpassing 10,000 Mark Since June IPO, a 300% Surge.
- On August 17, 2023, Toggle3D.ai Integrates With Sketchfab Offering New Unlimited AI-Generated 3D Model Texturing Options & One-Click Account Access.
- On August 21, 2023, Toggle3D.ai Approved and Now Trading on the OTCQB Exchange Under the Ticker TGGLF.
- On August 31, 2023, Toggle3D.ai Announces Breakthrough with Generative AI Photo Rendering.
- On September 20, 2023, Toggle3D.ai Unveils Groundbreaking AI Tool Transforming Doodles into 3D Models.
- On October 19, 2023, Toggle3D.ai Launches 4K AI Texture Upscaling Tool.

RESULTS OF OPERATIONS

A summary of the Company's results of operations for Q3 2023 and YTD 2023 is as follows:

	Q3 2023	YTD 2023
	\$	\$
Revenue	29,964	30,167
Operating expenses		
Amortization	416,667	555,556
Foreign exchange	880	880
General and administrative	401,037	646,967
Loss on sale of shares	54,682	54,682
Research and development	82,248	86,739
Sales and marketing	58,976	84,641
Share-based compensation	135,746	385,431
	1,150,236	1,814,896
Net loss	(1,120,272)	(1,784,729)

Revenue

Prior to June 13, 2023, the Company did not have operations and as a result had no reported results. For Q3 2023, the Company reported a net loss of \$1,120,272 which comprises:

- Revenue of \$29,964 from interest earned and sale of licenses to its platform to external costumers.

General and administrative expenses

The Company incurred \$401,037, which consist primarily of personnel and related costs associated with administrative functions of the business including finance, human resources, operations, management, and internal information system support. On June 14, 2023, Toggle3D.ai and its parent company, Nextech3D.ai Corporation ("Nextech"), entered into an agreement in which Toggle3D would pay Nextech management fees of up to \$150,000 per month for shared services related to the above noted costs and research and development costs noted below. Additional costs in general and administrative includes professional and legal fees, as well as other regulatory compliance costs.

Research and development expenses

The Company incurred \$82,248, which consist of consultant fees related to the development and improvement of the Toggle3D platform.

Selling and marketing expenses

The Company incurred \$58,976, which consist primarily of advertising costs, computer, software, and maintenance costs, and investor relations costs.

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We plan to continue to invest in sales and marketing by expanding our domestic and international selling and marketing activities, building brand awareness, and sponsoring additional marketing events. We expect that in the future, selling and marketing expenses will increase once we see sustainable market opportunities.

SUMMARY OF QUARTERLY RESULTS

	Q3 2023	Q2 2023	Q1 2023
	\$	\$	\$
Operating loss	(1,150,236)	(664,660)	-
Net loss and comprehensive loss	(1,120,272)	(664,457)	-
Net loss per share - basic and diluted	(0.04)	(0.04)	-

The Company is in early stages with most of the losses recorded resulting from research and development and selling and marketing expenses to improve products and expanding markets.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital, warrants and stock option component of its shareholders' equity. The primary cash flows have been through financing activities.

The following table provides a summary of the cash inflows and outflows by activity for operations:

	Q3 2023	YTD 2023
	\$	\$
Operating activities	(687,322)	(911,878)
Financing activities	49,557	2,207,913
Net cash (outflow) inflow	(637,765)	1,296,035

During the YTD 2023, the Company had net cash inflow of \$1,296,035.

Cash used in operating activities during the YTD 2023 was \$911,878 primarily driven by management fees incurred with Nextech.

Cash provided by financing activities for the YTD 2023 was \$2,207,913 primarily driven by net proceeds received from private placements completed in relation to the spinout of the Company from Nextech and shares issued for services rendered by contractors.

As of October 31, 2023, the Company had cash of \$1,296,354, working capital of \$1,418,854. We anticipate further sales of our product offerings as we continue to grow. Our cash position is healthy and allows us to continue to deliver on our strategy and growth. We anticipate growth of our license revenue will generate cash flow to reduce the amount of working capital required to sustain operations. The amount and pricing of financing the Company is able to raise in the future is dependent on the cyclical nature of the equity markets, and the perception and adoption of augmented reality and augmented reality technologies in the mainstream.

OUTSTANDING SHARE DATA

The Company had the following securities outstanding:

	October 31, 2023	As at date of MD&A
Common shares	28,777,112	28,873,537
Options	2,100,000	1,580,000
Warrants	9,225,384	9,128,959

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OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of the date of this report.

PROPOSED TRANSACTIONS

The Company has no proposed transactions as of the date of this report.

RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company, including those persons having the authority and responsibility for the planning, directing, and controlling of the activities of the Company.

A summary of the Company's related party transactions is as follows:

	Q3 2023	YTD 2023
	\$	\$
Management fees included in general and administrative	344,027	557,361
	344,027	557,361

On June 14, 2023, the Company entered into a management agreement with Nextech, a majority shareholder of the Company. The contract stipulates that a management fee of up to \$150,000 per month will be paid to Nextech for consulting services which consist of services performed by executive officers, technology consultants, and shared services such as, finance, human resources, and sales operations. The monthly amount represents the Company's portion of shared expenses with Nextech based on fair market rates.

During Q3 2023 and YTD 2023, the Company paid \$344,027 and \$557,361 in management fees in relation to the management agreement with Nextech, respectively. During Q3 2023 and YTD 2023, the Company paid \$40,694 and \$40,694 in management fees to the CEO, respectively.

As at October 31, 2023, there were no accounts payable and accrued liabilities included in respect to the services rendered.

CRITICAL ACCOUNTING ESTIMATES

See our financial statements for the three months ended October 31, 2023 and the period from February 14 (incorporation) to October 31, 2023 and the related notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

- Intangible assets and
- Impairment of non-financial assets

Critical Accounting Estimates

The preparation of the financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

- Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

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FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

As at October 31, 2023, the Company's financial assets and liabilities were classified as amortized cost.

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values because of their short-term nature.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

a) Credit risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash deposits. The Company mitigates credit risk related to cash by placing cash with sound financial institutions.

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year.

As at October 31, 2023, the Company had cash and cash equivalents of \$1,296,354 and working capital of \$1,418,854.

c) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and a portion of the Company's expenses are incurred in USD. A significant change in the currency exchange rates between the Canadian dollar relative to the USD could affect the Company's results of operations, financial position, or cash flows. The Company has not hedged its exposure to currency fluctuations. As at October 31, 2023, the Company is not significantly exposed to currency risk as its financial instruments are mainly denominated in Canadian dollars.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Company believes that interest rate risk is low as there is no financial asset or liability that has variable interest rate, and the majority of the Company's investments are made in highly liquid instruments.

Management of Capital

The Company's definition of capital includes equity, comprising share capital, reserves, and accumulated deficit. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As at October 31, 2023, the Company had shareholders' equity of \$5,863,298. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business. The Company obtains funding primarily through equity issuance. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

As at October 31, 2023, the Company was not subject to any externally imposed capital requirements.

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RISKS AND UNCERTAINTIES

We are exposed to risks and uncertainties in our business, including the risk factors set forth below:

- If we are unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be adversely affected.
- We encounter long sales cycles for technology services, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue.
- Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern.
- Our quarterly results of operations may fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.
- Our ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.
- We have incurred operating losses in the past and may incur operating losses in the future.
- If we are unable to develop new products and services, sell our solutions into new markets or further penetrate our existing markets, our revenue will not grow as expected.
- Our inability to assess and adapt to rapid technological developments could impair our ability to remain competitive.
- Downturns in general economic and market conditions and reductions in spending may reduce demand for our solutions, which could negatively affect our revenue, results of operations and cash flows.
- We are subject to fluctuations in currency exchange rates.
- The markets in which we participate may become competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.
- If we fail to retain our key employees, our business would be harmed, and we might not be able to implement our business plan successfully.
- Our growth is dependent upon the continued development of our direct sales force.
- If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.
- Interruptions or delays in the services provided by third party data centers and/or internet service providers could impair the delivery of our solutions and our business could suffer.
- The use of open-source software in our products may expose us to additional risks and harm our intellectual property.
- We may not receive significant revenue as a result of our current research and development efforts.
- Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results.
- The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies may have a conflict of interest.
- Our strategy includes pursuing acquisitions and our potential inability to successfully integrate newly acquired companies or businesses may adversely affect our financial results.
- The market price for our common shares may be volatile.
- We may issue additional common shares in the future which may dilute our shareholders' investments.
- We may face challenges to our intellectual property rights, which could have a material adverse impact on the Company.
- Uncertainties associated with the economic and market impact related to COVID-19.
- We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

Although the forward-looking statements contained in this MD&A are based upon assumptions management believes to be reasonable, these risks, uncertainties, assumptions, and other factors could cause our actual results, performance, achievements and experience to differ materially from our expectations, future results, performances or achievements expressed or implied by the forward-looking statements. In light of these risks, uncertainties and assumptions, readers should not place undue reliance on forward-looking statements.

Additional risks and uncertainties not presently known to us or that we currently consider immaterial may impair our business and operations and cause the price of our shares to decline. If any of the noted risks occur, our business may be harmed, and our financial condition and results of operations may suffer significantly.

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INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during three months ended October 31, 2023 and the period from February 14 (incorporation) to October 31, 2023, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.