



Toggle3D.ai

TOGGLE3D.AI INC.

Management's Discussion and Analysis

**For the period ended January 31, 2024
and the period from February 14, 2023 (incorporation) to January 31, 2024**

(Expressed in Canadian dollars)

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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 period from February 14, 2023 (incorporation) to January 31, 2024 and should be read in conjunction with the Company's financial statements (the "Financial Statements") for the period from February 14, 2023 (incorporation) to January 31, 2024 and the related notes contained therein which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 presented in Canadian dollars, the presentation and functional currency of the Company. For further information on the Company, reference should be made to its public filings on SEDAR+ at <https://www.sedarplus.ca>.

This MD&A is current as of May 24, 2024 (the "MD&A Date") 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 the Company. The period from February 14, 2023 (incorporation) to April 30, 2023 is referred to as "Q1", and the second, third and fourth quarters of the Company's fiscal period are referred to as "Q2", "Q3" and "Q4", respectively. The period from February 14, 2023 (incorporation) to January 31, 2024 is referred to as "Fiscal 2024".

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;
- 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;

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- 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

The Company was incorporated under the Business Corporations Act (Ontario) on February 13, 2023 and is a spin out of Nextech3D.ai Corp. ("Nextech"), a Metaverse company and leading provider of augmented reality solutions. Nextech is the parent of the Company, as it has majority representation on the Board of Directors. The Company's registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6.

The Company's shares are traded on the Canadian Securities Exchange (the "CSE") under the trading symbol "TGGL", on the OTCQB Venture Market under the trading symbol "TGGLF", and on the Frankfurt Stock Exchange under the trading symbol "QOC".

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

Highlights during the period from February 14, 2023 (incorporation) to the MD&A Date include the following:

- On June 6, 2023, Nextech shareholders approved the initial public offering (the "IPO") spin-out of the Company, which constitutes its generative-AI CAD-3D design studio.
- On June 8, 2023, Nextech's generative AI CAD-3D design studio, Toggle3D, went live.
- On June 13, 2023, Nextech's IPO spin-off, the Company, was approved by the CSE.
- On June 14, 2023, the Company began trading on the CSE under the symbol "TGGL".

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(Expressed in Canadian dollars)

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- On July 5, 2023, the Company, began trading in the USA under the stock symbol "TGGLF".
 - On July 27, 2023, the Company experienced exponential user growth, surpassing the 10,000 mark since the June IPO, a 300% surge.
 - On August 17, 2023, the Company integrated with Sketchfab offering new unlimited AI-generated 3D model texturing options & one-click account access.
 - On August 21, 2023, the Company approved and started trading on the OTCQB Exchange under the ticker "TGGLF".
 - On August 31, 2023, the Company announced breakthrough with generative AI photo rendering.
 - On September 20, 2023, the Company unveiled groundbreaking AI tool transforming doodles into 3D models.
 - On October 19, 2023, the Company launched 4K AI texture upscaling tool.
 - On January 30, 2024, the Company reported a 75% jump in usage rate.
 - On February 6, 2024, the Company's generative AI tool increased productivity by 100% in producing 3D models for ecommerce.
 - On February 16, 2024, the Company launched a suite of GPT AI 3D product solutions in partnership with Nextech.
 - On February 22, 2024, the Company expanded its portfolio with a GPT AI virtual photography service.
 - On March 5, 2024, the Company established a new business unit with Nextech that will license its GPT AI CAD to 3D texturing software to target the jewelry industry with 3D models, Blockchain technology, and NFTs.
 - On May 2, 2024, the Company appointed a new CEO, Hareesh Achi, and appointed Anum Waqas, previously the Director of Finance for the Company, as the interim CFO.
 - On May 16, 2024, the Company launched new AI-powered features that will enhance the platform's revenue-generating capabilities through a 3D model marketplace with over 200,000 models.
 - On May 17, 2024, the Company appointed Davidson & Company LLP as the Company's new independent auditors.

SELECTED ANNUAL INFORMATION

The selected annual information below is derived from the Company's Financial Statements.

	Fiscal 2024
Net loss and comprehensive loss	\$ (6,690,132)
Basic and diluted net loss per share	(0.35)
Total assets	1,042,745
Total revenue	1,170

The period from February 14, 2023 (incorporation) to January 31, 2024 constitutes the Company's first year of operations. There were no cash dividends declared per share.

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RESULTS OF OPERATIONS

A summary of the Company's results of operations is as follows:

	Q4 2024	Fiscal 2024
	\$	\$
Revenue	337	1,170
Operating expenses		
General and administrative	364,247	1,018,461
Interest income	(8,809)	(38,143)
Loss on sale of shares	(54,682)	-
Research and development	10,026	151,789
Sales and marketing	101,681	124,050
Share-based compensation	48,981	434,412
Amortization	277,777	833,333
Foreign exchange	(148)	733
	739,073	2,524,635
Other income		
Impairment of intangible assets	4,166,667	4,166,667
Net loss and comprehensive loss	(4,905,403)	(6,690,132)

A review of the Company's results of operations for Q4 2024 and for Fiscal 2024 is as follows:

Revenue

In Q4 2024 and Fiscal 2024, the Company reported Revenue of \$337 and \$1,170, respectively, from the sale of licenses to its platform to external costumers.

General and administrative expenses

In Q4 2024 and Fiscal 2024, the Company incurred general and administrative expenses of \$364,247 and \$1,018,461, respectively, which consist primarily of management fees. On June 14, 2023, the Company and 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 included professional and legal fees, as well as other regulatory compliance fees.

Interest income

In Q4 2024 and Fiscal 2024, the Company reported interest income of \$8,809 and \$38,143, respectively, from interest earned from redemption of GIC in the amount of \$8,809 and \$38,143, respectively.

Research and development expenses

In Q4 2024 and Fiscal 2024, the Company incurred research and development expenses of \$10,026 and \$151,789, respectively, which consist of consultant fees related to the development and improvement of the Toggle3D platform. Research and development expenses mainly constitute engineering costs, which include AI, testing and development engineers as an effort to integrate new functionalities to its platform.

Sales and marketing expenses

In Q4 2024 and Fiscal 2024, the Company incurred sales and marketing expenses of \$101,681 and \$124,050, respectively, which consists primarily of advertising; investor relations; as well as computer, software, and maintenance.

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 as the Company works to seize marketing opportunities for its products.

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SUMMARY OF QUARTERLY RESULTS

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
	\$	\$	\$	\$
Revenue	337	630	203	-
Net loss and comprehensive loss	(4,905,403)	(1,120,272)	(664,457)	-
Net loss per share - basic and diluted	(0.17)	(0.04)	(0.04)	-

The Company is in the early stages of operations as it seeks to grow its customer base. In Q1 2024, the company was inactive. In Q2 2024, the Company's activities were limited as the Company was working to complete a private placement of common shares. The increase in the losses during Q3 and Q4 2024 is the result of an increase in amortization expenses and general and administration expenses which is primarily driven by management fees to Nextech for shared services pertaining to administrative functions of the Company.

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.

A summary of the Company's cash inflows and outflows by activity is as follows:

	Fiscal 2024
	\$
Cash used in operating activities	(1,209,148)
Cash used in investing activities	(899,392)
Cash provided by financing activities	2,228,005
Effect of foreign exchange on cash	318
Change in cash during the period	119,465
Cash, beginning of the period	1
Cash, end of the period	119,784

Cash used in operating activities for Fiscal 2024 was \$1,209,148, primarily driven by management fees and prepayments paid to Nextech.

Cash used in investing activities for Fiscal 2024 was \$899,392 due to advances to related parties.

Cash provided by financing activities for Fiscal 2024 was \$2,228,005 as a result of net proceeds received from private placement completed in relation to the spinout of the Company from Nextech and from the employee pay program.

As of January 31, 2024, the Company had cash of \$119,784, working capital of \$972,286. We anticipate further sales of our product offerings as we continue to grow. Management closely monitors the Company's cash position and will continue driving commercial efforts in order to gain contract revenue, as well as seek external funding in order to cover the working capital needs and deliver on our strategy. 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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at January 31, 2024, the Company's financial assets and liabilities include cash and cash equivalents, advances to parent, receivables, advance from related party, and accounts payable and accrued liabilities. These instruments are classified as amortized cost.

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

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The Company is exposed to certain financial risks through its financial instruments as follows:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfil its contractual obligations. The Company is exposed to credit risk through its cash and cash equivalents as well as advances to parent. There is no significant concentration of credit risk other than cash deposits. The Company mitigates credit risk related to cash and cash equivalents by placing cash with sound financial institutions.

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 is exposed to liquidity risk through its accounts payable and accrued liabilities and advance from related party. The Company's financial obligations are limited to its current liabilities which have contractual maturities or are repayable on demand.

As at January 31, 2024, the Company had cash and cash equivalents of \$119,784 and working capital of \$972,286.

Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company is exposed to foreign exchange risk from fluctuations in the US dollar to the Canadian dollar. The Company has not hedged its exposure to currency fluctuations. As at January 31, 2024, the Company is not significantly exposed to currency risk as its financial instruments are mainly denominated in Canadian dollars.

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.

CAPITAL MANAGEMENT

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 January 31, 2024, the Company had shareholders' equity of \$972,286.

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 January 31, 2024, the Company was not subject to any externally imposed capital requirements.

OUTSTANDING SHARE DATA

The Company had the following securities outstanding:

	January 31, 2024	As at date of MD&A
	#	#
Common shares	28,969,963	30,188,155
Options	1,380,000	1,260,000
Warrants	9,032,533	9,014,341

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OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of the MD&A Date.

PROPOSED TRANSACTIONS

The Company has no proposed transactions as of the MD&A Date.

RELATED PARTY TRANSACTIONS

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:

	Q4 2024	Fiscal 2024
	\$	\$
Management fees included in general and administrative	360,000	917,361

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 Q4 2024 and Fiscal 2024, the Company paid \$360,000 and \$876,667 in management fees in relation to the management agreement with Nextech, respectively. During Q4 2024 and Fiscal 2024, the Company paid \$nil and \$40,694 in management fees to the Chief Executive Officer, respectively.

As at January 31, 2024, \$394 and \$24,533 of the accounts payable and accrued liabilities are owed to an entity owned by a director of the Company and to an entity under common control, respectively.

Advances to related parties as at January 31, 2024 includes a loan to an entity under common control which is unsecured, bears interest at 8% per annum and is repayable by January 30, 2025 and advances of \$656,509 to Nextech for prepayment of management fees. A summary of the Company's advances to related parties is as follows:

	Prepays	Loans	Total
	\$	\$	\$
As at, February 14, 2023	-	-	-
Advances	1,106,667	241,853	1,348,520
Repayments	(450,158)	-	(450,158)
Effects of movement in exchange rates	-	1,030	1,030
Balance, January 31, 2024	656,509	242,883	899,392

USE OF PROCEEDS FROM PRIVATE PLACEMENT FINANCING

The cash raised from the spin out on June 13, 2023 was mainly used in the Company's working capital, which included a prepayment of management fees, and an additional investing activity which comprised a loan to Nextech.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The Company's significant accounting judgements and sources of estimation uncertainty are described in the notes to the Financial Statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company adopted the following amendments to accounting standards, which are effective for annual periods beginning on or after January 1, 2023:

Disclosure of accounting policies - amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making materiality judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition, or presentation of any items in the Company's Financial Statements.

Definition of accounting estimates - amendments to IAS 8

The amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors* clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company's Financial Statements.

Deferred tax related to assets and liabilities arising from a single transaction - amendments to IAS 12

The amendments to IAS 12 *Income Taxes* narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company's financial statements.

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards as they are not applicable to the Financial Statements.

RISKS AND UNCERTAINTIES

The risks and uncertainties are in the Company's Form 2A - Listing Statement dated June 7, 2023 and published on June 12, 2023 which is available on SEDAR+ at www.sedarplus.ca. Readers are encouraged to refer to this document for a more detailed description of the risks and uncertainties inherent to the Company and its business.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the period from February 14, 2023 (incorporation) to January 31, 2024, there have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our financial reporting.