



Toggle3D.ai

TOGGLE3D.AI INC.

Management's Discussion and Analysis

For the three and nine months ended October 31, 2024 and 2023

(Expressed in Canadian dollars)

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Toggle3D.ai Inc. ("Toggle3D" or the "Company") provides analysis of the Company's financial results and should be read in conjunction with the Company's unaudited condensed interim financial statements for the three and nine months ended October 31, 2024 and 2023 (the "Financial Statements") and the related notes contained therein which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Committee, including International Accounting Standards 34 *Interim Financial Reporting*. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. In addition, the MD&A should be read in conjunction with the audited consolidated financial statements for the period from February 14, 2023 (incorporation) to January 31, 2024 (the "Annual Financial Statements"), as some disclosures from the Annual Financial Statements have been condensed or omitted.

This MD&A is current as of December 24, 2024 (the "MD&A Date") and was approved by the Company's Board of Directors.

In this MD&A, unless the context otherwise dictates, a reference to "Toggle3D" or the words "we", "us", or "our", collectively refer to the Company. For further information on the Company, reference should be made to its public filings on SEDAR+ at <https://www.sedarplus.ca>. 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. The first, second, third and fourth quarters of the Company's fiscal period are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The nine months ended October 31, 2024 and 2023 are referred to as "YTD 2025" and "YTD 2024", respectively.

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.

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 January 31, 2024 to the MD&A Date include the following:

- 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.

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- 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.
- On May 29, 2024, the Company announced the completion of an enterprise deal with a large jewelry manufacturer.
- On July 29, 2024, the Company announced the enhancement of its GPT AI 3D platform including an array of new features, including seamless Dropbox integration.

Highlights during the period from February 14, 2023 (incorporation) to January 31, 2024 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".
- 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.

Our company is at the forefront of the 3D and augmented reality (AR) industry, focusing on developing AI driven innovative solutions that enhance user experiences across various sectors, including product marketing, gaming, education, and enterprise applications. Despite not yet generating significant revenue, we have made substantial progress in advancing our technology and expanding our intellectual property portfolio. As the 3D and AR market continues to evolve using generative AI, we anticipate increased adoption of our solutions, driven by the growing demand for immersive and interactive digital experiences. We remain committed to investing in research and development to maintain our product portfolio and capitalize on emerging opportunities in this dynamic field

RESULTS OF OPERATIONS

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

	Q3 2025	Q3 2024	YTD 2025	YTD 2024
			\$	\$
Revenue	159	29,964	651	30,167
Cost of sales	(5,378)	-	(34,747)	-
Gross loss	(5,219)	29,964	(34,096)	30,167
Operating expenses				
Amortization	-	416,667	-	555,556
General and administrative	24,468	401,037	816,928	646,967
Interest expense	3,390	-	19,783	-
Research and development	31,254	82,248	134,616	86,739
Sales and marketing	20,794	58,976	85,234	84,641
Share-based compensation (recovery)	91,333	135,746	248,341	385,431
Foreign exchange	(4,213)	880	5,057	880
Loss on sale of shares	-	54,682	-	54,682
	167,026	1,150,236	1,309,960	1,814,896
Net loss	(172,245)	(1,120,272)	(1,344,055)	(1,784,729)

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Q3 2025 compared to Q3 2024**Revenue**

Revenue is low due to lower adoption of our paid product, but we are continually enhancing and improving our product hence there's investment in R&D. Our costs are predominantly related to engineering and infrastructure costs. As adoption grows, we expect revenue to grow and costs to be flat, this technology is relatively new and in order for adoption to grow, we need to continuously educate our customer segments about our product features through videos and other marketing mediums.

General and administrative expenses

General and administrative expenses for the current period decreased to \$24,468 when compared to \$401,037 in the prior year comparable period. This decrease is due to the decrease in management fees.

Research and development expenses

The cost of Research and development expenses for the current period decreased to \$31,254 compared to \$82,248 in the prior year comparable period. The primary reason for this decrease is due to lower consultant fees for developing and improving the Toggle3D platform, which was in its early stages last year. 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

Sales and marketing expenses for the current period decreased to \$20,794, compared to \$58,976 in the same period last year. This decrease is mainly due to reduction in Marketing costs.

We plan to continue to invest in sales and marketing, that will be by expanding our domestic and international selling and marketing activities, building brand awareness, and sponsoring additional marketing events. As per our expectations, in future, selling and marketing expenses will increase as the Company works to seize marketing opportunities for its products.

YTD 2025 compared to YTD 2024**Revenue**

Revenue is low due to lower adoption of our paid product, but we are continually enhancing and improving our product hence there's investment in R&D. Our costs are predominantly related to engineering and infrastructure costs. As adoption grows, we expect revenue to grow and costs to be flat, this technology is relatively new and in order for adoption to grow, we need to continuously educate our customer segments about our product features through videos and other marketing mediums.

General and administrative expenses

General and administrative expenses for the current period rose to \$816,928 compared to \$646,947 in the prior year comparable period. This increase is due to the Company having minimal administrative expenses in the prior year comparable period due to the Company focusing their efforts on the private placement on June 13, 2023. 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 including management and administrative functions and research and development costs noted below. Additionally, the increase in expenses reflects higher professional, legal, and regulatory compliance fees due to the Company's expansion and regulatory requirements.

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Research and development expenses

Research and development expenses for the current period have increased to \$134,616 compared to \$86,739 in the prior year comparable period. This increase is due to the increase in consultation service charges related to the development and improvement of the Toggle3D platform that also resulted in rising of the computer software and maintenance expenses in the current period. In the prior year period, the Company was in the early stages of development, resulting in minimal expenses. The current R&D expenditures mainly comprise of engineering costs, including AI, testing, and development engineers, all aimed at integrating new functionalities into the platform.

Sales and marketing expenses

Sales and marketing expenses for the current period increased to \$85,238 compared to \$84,641 in the prior year comparable period. This increase is due to higher marketing cost in the current year by robust marketing over different platforms.

We plan to continue to invest in sales and marketing, that will be by expanding our domestic and international selling and marketing activities, building brand awareness, and sponsoring additional marketing events. As per our expectations, in future, selling and marketing expenses will increase as the Company works to seize marketing opportunities for its products.

SUMMARY OF QUARTERLY RESULTS

	Q3 2025	Q2 2025	Q1 2025	Q4 2024
	\$	\$	\$	\$
Revenue	159	242	250	337
Net loss	(172,246)	(522,223)	(649,587)	(4,905,403)
Net loss per share - basic and diluted	(0.01)	(0.02)	(0.03)	(0.17)

	Q3 2024	Q2 2024
	\$	\$
Revenue	29,964	203
Net loss	(1,120,272)	(664,457)
Net loss per share - basic and diluted	(0.09)	(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 impairment of intangible assets, amortization expenses and general and administrative expenses which is primarily driven by management fees to Nextech for shared services pertaining to administrative functions of the Company. The significant decrease in the losses during Q1, Q2 and Q3 2025 is due to expenses in previous quarters that were not carried into Q1, Q2 and Q3 2025, such as impairment of intangible assets and amortization. Additionally, there was a decrease in share-based compensation due to not entering in new compensation programs during YTD 2025.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages its capital structure based on the funds available to it in order to support the continuation and expansion of its operations as well as 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, stock option and deficit component of its shareholders' equity. The primary cash flows have been through equity financing activities.

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

	YTD 2025	YTD 2024
		\$
Cash used in operating activities	(744,433)	(911,878)
Cash provided by investing activities	256,147	-
Cash provided by financing activities	369,003	2,207,913
Effect of foreign exchange on cash	-	318
Change in cash during the period	(119,283)	1,296,035
Cash, beginning of the period	119,784	1
Cash, end of the period	501	1,296,354

Cash used in operating activities decreased to \$744,433 compared to \$911,878 in the prior year comparable period, primarily driven by decrease in Management fees.

Cash provided by investing activities increased to \$256,147 compared to \$nil in the prior year comparable period due to net repayments received from related parties for advances the Company had previously made.

Cash provided by financing activities was \$369,784 compared to \$2,207,913 in the prior year comparable period as a result of proceeds from the private placement.

As of October 31, 2024, the Company had cash of \$501 (January 31, 2024 - \$119,784) and working capital of \$245,574 (January 31, 2024 - \$972,286). We anticipate future sales of our product offerings as we continue to grow and engage with potential customers. 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 October 31, 2024, the Company's financial assets and liabilities include cash and cash equivalents, advances to related parties, accounts payable and accrued liabilities and advances from related party. These instruments are classified as amortized cost.

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

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 related parties. The Company mitigates credit risk related to cash and cash equivalents by placing cash with sound financial institutions. The risk exposure on advances to related parties is assessed as low as the amount is held with Nextech and with entities under common control.

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. To mitigate this risk, management receives support from Nextech to ensure sufficient liquidity is maintained.

As at October 31, 2024, the Company had cash and cash equivalents of \$501 (January 31, 2024 - \$119,784) and working capital of \$245,574 (January 31, 2024 - \$972,286).

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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 October 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. The Company assessed that interest rate risk is low as it has no financial asset or liability subject to variable interest rates.

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 October 31, 2024, the Company had shareholders' equity of \$245,574 (January 31, 2024 - \$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 October 31, 2024, the Company was not subject to any externally imposed capital requirements.

OUTSTANDING SHARE DATA

The Company had the following securities outstanding:

	October 31, 2024	As at date of MD&A
	#	#
Common shares	35,570,023	35,570,023
Options	821,000	1,335,000
Warrants	8,632,473	8,632,473

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.

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

	Three months ended October 31, 2024	2023	Nine months ended October 31, 2024	2023
	\$			\$
Management fees included in general and administrative	(120,000)	344,027	600,000	557,361

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

As at October 31, 2024, \$202,472 of the accounts payable and accrued liabilities are owed to an entity owned by a director of the Company (January 31, 2024 - \$45,926).

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

	\$
As at, February 14, 2023 (incorporation)	-
Prepayments and advances	25,314
Repayments	(580)
Effects of movement in exchange rates	(201)
Balance, January 31, 2024	24,533
Prepayments and advances	214,041
Effects of movement in exchange rates	(2,089)
Balance, October 31, 2024	236,485

During the nine months ended October 31, 2024, an entity under common control advanced \$236,485 (year ended January 31, 2024: \$25,314) as a cash loan with no set terms of repayment.

A summary of the Company's advances to related parties is as follows:

	Prepayments	Loan	Total
	\$	\$	\$
As at, February 14, 2023 (incorporation)	-	-	-
Prepayments and 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
Prepayments and advances	911,954	431,899	1,343,853
Repayments	(1,058,632)	(521,522)	(1,580,154)
Effects of movement in exchange rates	-	(19,783)	(19,783)
Balance, October 31, 2024	509,831	133,413	643,244

During the period ended January 31, 2024, the Company advanced \$241,853 cash as a loan with an entity under common control, which is included under advances to related parties. During the nine months ended October 31, 2024, the Company provided benefits to contractors under the employee pay program on behalf of an entity under common control. The costs in connection with these benefits were recharged to the loan with an entity under common control. The loan is unsecured, bears interest at 8% per annum and is repayable by January 30, 2025.

Additionally included under advances to related parties are prepayments to Nextech for management fees and repayments of expenses covered by Nextech.

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USE OF PROCEEDS FROM PRIVATE PLACEMENT FINANCING

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

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.

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. 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.

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;
- 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.

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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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the three and nine months ended October 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.