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NEXTECH3D.AI CORPORATION
(formerly NexTech AR Solutions Corp.)

Management's Discussion and Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

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This Management's Discussion and Analysis ("MD&A") of NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.) ("NexTech" or the "Company") and its subsidiaries provides analysis of the Company's financial results for the three and nine months ended September 30, 2024 and 2023 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2024 and 2023 (the "Financial Statements"), which are prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. In addition, the MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements"), and the management's discussion and analysis for the years ended December 31, 2023 and 2022 (the "Annual MD&A"), as some disclosures from the Annual Financial Statements and the Annual MD&A have been condensed or omitted. 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. Additional information regarding the Company is available on SEDAR+ at www.sedarplus.ca. This MD&A has been prepared effective as of November 29, 2024 (the "MD&A Date"). This discussion covers the nine months ended September 30, 2024 and 2023 and the subsequent period up to the MD&A Date.

In this MD&A, unless the context otherwise dictates, a reference to "us", "we", "our", or similar terms refers to the Company. All monetary amounts in the MD&A are expressed in Canadian dollars, the presentation currency of the Company, except number of shares, or as otherwise indicated. The functional currency of the Company and its subsidiaries is disclosed in the notes to the Financial Statements. References to "\$" are to Canadian dollars, references to "US\$" or "USD" are to United States dollars. Throughout this MD&A, 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 periods ended September 30, 2024 and 2023 are referred to as "YTD 2024" and "YTD 2023", 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 "NexTech", and "ARitize", which are protected under applicable intellectual property laws and are the property of NexTech. 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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 MD&A date 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 NexTech'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;
- uncertainty regarding the market and economic impacts of COVID-19;
- 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;

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023
(Expressed in Canadian dollars, except where noted)

- 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 volumetric objects, 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, NexTech.

BUSINESS OVERVIEW

NexTech is a metaverse company that provides augmented reality ("AR") experience technologies, wayfinding technologies, and 3D model services. The Company was incorporated in the province of British Columbia, Canada on January 12, 2018. 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 "NTAR", on the Frankfurt Stock Exchange under the trading symbol "EP2", and in the United States of America on the OTCQX under the trading symbol "NEXCF". On September 28, 2023, the Company changed its name from NexTech AR Solutions Corp. to NexTech3D.AI Corporation.

The Company provides a broad array of AR solutions. These AR solutions can be used across many verticals and are currently being utilized in ecommerce, virtual events, higher education learning, corporate training, digital advertising and entertainment. NexTech's AR solutions are able to scale the production of 3D models by using artificial intelligence ("AI") algorithms and computer vision technology. The resulting product and service offerings enable customers to deliver scalable, photo-realistic, volumetric 3D AR for widespread adoption. Most of the Company's technology is web-based, but the Company offers several AR applications on iOS and Android, including ARitize360, ARitize, and HoloX. These applications enable 3D visualization across all platforms, catering to a wide range of AR use cases and serving as a comprehensive AR solution.

On June 16, 2022, the Company announced the winding down of its eCommerce businesses to focus on AR solutions. On October 26, 2022, the Company completed the spinout of ARWay Corporation ("ARWay") which began trading on the CSE under the symbol "ARWY". ARWay provides geolocation 3D mapping platform, a SaaS business, for the metaverse. On June

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

13, 2023, the Company successfully spun out Toggle3D.ai Inc. ("Toggle"), an AI powered 3D design studio, which began trading on the CSE under the symbol "TGGL".

1. Product offerings

ARWay.ai (controlling interest and consolidated entity) (CSE: ARWY) (OTC: ARWYF)

This is an all-in-one metaverse creation studio allowing users to spatially map their location and populate it with interactive 3D objects, navigations, wayfinding, audio and more. ARWay.ai is available through a software developer kit ("SDK"), a smartphone application available on iOS and android for authoring, sharing and viewing location-persistent AR experiences and AR navigation, and a creator portal for creating, managing and tracking performance of 3D maps and AR wayfinding experiences. It is a self-serve solution with no-code.

Nextech3D.ai Corporation (CSE: NTAR) (OTC: NEXCF)

ARitize 3D

ARitize 3D is a web-based AR solution for ecommerce that is a component of the NexTech AR platform and is an end-to-end AR platform with content creation, hosting and viewing of AR/3D assets all in one. ARitize 3D for ecommerce tools give users the ability to embed a 3D model in a product page on an ecommerce website. This embedded experience, once rendered in a shopper's browser, will provide a 3D model experience that a shopper can easily manipulate and explore. It works across all mobile and desktop devices on the web. Available tools within the platform include the following:

a) ARitize Swirl

An ARitize Swirl is a swirling (rotating) 3D asset on the header or page of an ecommerce website. In a few simple steps, any customer can create a fully interactive ARitize Swirl 3D/AR banner using their existing 3D models and embed them into their ecommerce website to create 6X higher purchase intent, increase conversions and click-through rates. The ARitize Swirl self-serve creator tool is an upsell opportunity for existing ARitize 3D clients and allows for the creation and management of 3D and AR banners for their ecommerce websites, highlighting the products that clients wish to promote.

b) ARitize Social Swirl

ARitize Social Swirl is a social media AR filter designed to promote and visualize ecommerce products in an interactive and shareable way. Available for Instagram, Meta, and Snapchat, ARitize Social Swirls are designed to create new engagement opportunities for customers. ARitize Social Swirl is a managed service where NexTech creates ads for clients with their existing 3D models, or from NexTech's existing list of AR templates, to be advertised on the client's Instagram, Facebook and Snapchat. NexTech creates custom filters to match client's branding. When users click on the ad, they can see the product in 3D in their space, giving the user the ability to experience and interact with the product, before sending them to the client's website to purchase the product.

c) ARitize Ads

ARitize Ads is NexTech's ad solution for captivating 3D ads that are interactive, engaging and memorable. Using NexTech's AI technology and clients existing 3D models, these 3D/AR ads can easily be embedded into leading e-commerce websites and client's websites seamlessly. They can be run on social, and the service provides real-time ad analytics.

d) ARitize CAD

ARitize CAD enables the conversion of computer aided design ("CAD") files into 3D/AR models at scale. CAD is a function of product engineering. Industrial designers, working for product manufacturers, use CAD software (e.g., AutoCAD, SolidWorks, etc.) to design many of the products in the modern world. Using ARitize CAD, those files can be converted to 3D/AR models with the creation of photo realistic, fully textured 3D models from raw CAD models and reference images. This technology creates optimized 3D meshes that are suitable for 3D and AR applications.

e) ARitize Decorator

ARitize Decorator enables customers to virtually preview home furnishing and décor in a desired location, using just a simple 2D photo of a room. The solution uses NexTech's AI to analyze a room layout automatically and then parses out room surfaces, reconstructs the scene, and allows 3D objects to be seamlessly placed inside a 2D photo, as if they were part of the room.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

f) ARitize Holograms

ARitize Holograms is NexTech's human hologram creator mobile app. Currently available in the apple iOS store. ARitize Holograms lets you create, share and view holograms on your smartphone device. It is as easy as creating a video. No green screen or technical equipment required; anyone can create themselves as a human hologram in minutes.

g) ARitize Consumer Packaged Goods ("ARitize CPG")

ARitize CPG is an AR hologram experience, triggered by a visual anchor such as a QR code placed on product packaging, in-store aisles or endcap displays. This interactive AR hologram takes smart packaging to a new level with exciting 3D objects, innovative visual effects and engaging episodic content.

h) ARitize Labs

With ARitize Labs, higher education institutions can bring classrooms to life with immersive and engaging augmented learning labs. Using NexTech's ARitize Play app, students are welcomed into a virtual learning lab, where they can interact and learn in 3D, mimicking a traditional lab environment. The NexTech AR platform allows users to design, build and publish native AR experiences for delivery through a learning platform. These learning experiences provide students the opportunity to learn through pre-recorded AR learning objects on their smart phones, tablets and AR headsets.

NexTech Event Solutions (formerly MapD)

NexTech Event Solutions is a self-serve virtual events platform that allows organizers to create, host, and manage live events for over 100,000 attendees both online and in our branded native event application. The platform supports live video, chat, networking, analytics, reporting, interactive mapping and event app with AR indoor wayfinding for associations, conferences, trade shows, webinars, summits, forums, workshops, and hybrid events.

All of the products above within NexTech's technology stack are fully developed and at the commercial production stage. Management envisions that revenue generated from these product offerings has the potential to surpass the revenue currently generated by the Company's ecommerce platforms in the future. The Company's strategy for advancing its AR business involves bolstering sales and marketing efforts, expanding its product portfolio, and leveraging existing and future customer relationships to promote a wider range of products and services. Additionally, the Company plans to explore revenue opportunities through the licensing of select software products, which will be supported by enhanced marketing initiatives. Management believes that these objectives will be further strengthened by the overall growth of the AR industry, driven by increasing consumer familiarity with these products and services.

Toggle3D.ai Inc (controlling interest and consolidated entity) (CSE: TGGL) (OTC: TGGLF)

Toggle3D.ai Inc. is a groundbreaking SaaS solution that utilizes generative AI to convert CAD files, apply stunning 4K texturing, and enable seamless publishing of superior 4K 3D models, serving various industries within the \$160 billion computer-generated imagery ("CGI") market. With its AR-based rapid prototyping web application, 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.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

2. Application for patents and licenses

The Company is in the process of applying for patents for its Threedy.ai and HoloX products, as well as the following:

Patent	Description	Date Provisional Patent Filed ⁽¹⁾	Status of Non-Provisional Patent Filing ⁽¹⁾	Jurisdiction
CREATING 3D MODELS FROM 2D PHOTOS AND APPLICATIONS	Covers core AI algorithms for creating 3D models automatically from 2D photos and is the core of Threedy technology.	N/A	Patent issued	United States
THREEDIMENSIONAL (3D) MODEL GENERATION FROM COMPUTERAIDED DESIGN (CAD) DATA	Covers core artificial intelligence algorithms for creating 3D models automatically from 2D photos.	N/A	Patent issued	United States
EFFICIENT CREATION OF 3D MODEL AND APPLICATION	Covers the virtual assembly line concept that helps scale 3D content creation from 2D photos.	N/A	Patent issued	United States
MATERIAL ESTIMATION FOR 3D MODELING AND APPLICATION	Covers the AI/ML techniques for creating 3D textures and materials automatically from 2D reference photos.	N/A	Patent issued	United States
AUTOMATICALLY EXTRACTING TILEABLE UNITS FROM IMAGES	Describes a method for compressing large textures with regular patterns to significantly reduce the size of the texture files.	N/A	Patent issued	United States

(1) There are two different types of utility patent applications in the United States: (i) provisional applications; and (ii) non-provisional applications. The provisional application is a patent application filed with the U.S. Patent and Trademark Office ("USPTO") which involves less formal documentation and is not subject to examination by the USPTO. The provisional application has a one-year term and is not legally enforceable. In order for a provisional application date to be effective, a non-provisional patent application must be prepared and filed within one year of the provisional application. The non-provisional patent application is a more detailed filing and subject to examination by the USPTO. A patent granted based on the non-provisional application is legally enforceable in the United States. The filing of a provisional application is not a pre-requisite to the filing of a non-provisional application.

HIGHLIGHTS OF SIGNIFICANT EVENTS

During the nine months ended September 30, 2024 and up to the MD&A date the Company:

- On January 4, 2024, the Company launched an AI powered search engine to speed-up and scale-up operations for the 3D modeling process.
- On February 13, 2024, the Company signed a significant \$1.8 million 3D modeling contract with a major enterprise client.
- On March 5, 2024, the Company established a new business unit targeting jewelry industry.
- On May 21, 2024, the Company sold its Map Dynamics business to ARWay. The transaction involved an exchange 4 million shares in ARWay, with a fair value of \$1,040,000. This increased the ownership percentage of the Company in ARWay from 46% to 48%. For consolidation purposes, this transaction has been eliminated.
- On May 28, 2024, the Company announces the closing map dynamics sale to arway.ai to focus on patented high-margin generative ai-powered 3D modeling technology.
- On June 21, 2024, the Company sees ecommerce industry shift accelerating to 3D models as major ecommerce platforms discontinue 360 spin experiences in favor of 3D-AI and augmented reality (AR) technologies.
- On July 02, 2024, the Company expands into specialty retail ecommerce with the largest independent crossbow dealer in the USA, wyvern creations.
- On July 15, 2024, the Company hires ecommerce sales executive Madison Wynsma as head of its artificial intelligence powered 3D model platform.
- On July 16, 2024, the Company selected as amazon 3D model external content provider (ECP).
- On July 22, 2024, the Company's 3D assets now fully compatible with google merchant center and manufacturer center.
- On July 30, 2024, the Company reports preliminary 70% gross profit margin in q2, 2024 revenue of \$1.2 million.
- On August 16, 2024, the Company announces proposed placement.
- On August 27, 2024, the Company launches key new features for its generative AI powered 2D-3D model platform.
- On August 29, 2024, the Company reports Q2 2024 revenue of \$1,108,000 with record gross profit margin of 74% or \$820,000 a 45%increase over Q1, 2024.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023
(Expressed in Canadian dollars, except where noted)

- On September 04, 2024, the Company secures three new patents for AI-powered 3D model generation algorithms.
- On September 06, 2024, the Company announces repricing of proposed placement.
- On September 11, 2024, the Company signs LOI to acquire designhubz expanding its 3D & AR portfolio with try-on technology for wearables.
- On September 25, 2024, the Company announces closing of first tranche of private placement for \$475,000.
- On October 11, 2024, the Company launches AI powered lifestyle image generator supporting major ecommerce platforms.
- On October 31, 2024, the Company attends high point fall market 'the largest furniture market globally' to showcase its 3D modeling and ai photography.
- On November 08, 2024, the Company tunes in for a livestream with CEO Evan Gappelberg on wednesday november 13th, 12pm EST.
- On November 21, 2024, the Company spin-out rebrands as fotogpt.ai to usher in a new era of ai-powered photography.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS

The Company's results of operations are influenced by a variety of factors, including:

Revenue

The Company primarily generates revenue from the sale of renewable software licenses and technology services.

Renewable software licenses

The Company sells software licenses on a specified term basis with customer options for renewal. Revenue recognition occurs when the software becomes available to the customer and is recognized evenly over the agreement term. The creation and hosting of 3D models is included in this categorization.

Technology services

The Company recognizes revenue from contracts for virtual events and technology services, other than software licenses, using on a percentage of completion basis once the customer has entered into an agreement with the Company. With fixed-price contracts, where services are not distinct and determinable, the entire purchase price is allocated on a percentage of completion basis. Management decided to shift the sales focus to renewable software licenses over the past few quarters, as there have been fluctuations in demand for virtual events since 2021 due to changing COVID-19 restrictions in different geographic markets, primarily in Canada and the US. This introduced uncertainty regarding virtual versus in-person event hosting. While the Company will remain open to opportunities in this product offering, management does not anticipate sales volumes reaching the levels seen in 2021 or 2020.

Cost of sales

Cost of sales for renewable software licenses and technology services include wages and salaries associated with the customer service and delivery teams, and other direct costs in relation to delivering virtual events to customers and delivering 3D models to customers.

Selling and marketing expenses

Selling and marketing expenses consist primarily of advertising, personnel and related costs for the sales, marketing, and select members of the management teams, including salaries and benefits, contract acquisition costs including commissions earned by sales personnel and partner referral fees, partner programs support and training, investor relations and promotional marketing costs.

The Company plans to continue investment in sales and marketing by expanding both domestic and international selling as well as marketing activities, building brand awareness, and sponsoring additional marketing events. The Company expects that in the future, selling and marketing expenses will increase once more sustainable market opportunities are identified.

Research and development expenses

Research and development ("R&D") expenses consist primarily of personnel and related costs for the teams responsible for the ongoing research, development, and product management of the technology solutions as well as platform and maintenance costs.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

Management anticipates that spending on R&D will be lower in absolute dollars as much of the Company's products are in the commercialization stage and further investments in the near future are only focused on enhancements of existing products.

General and administrative expenses

General and administrative expenses 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. It includes shipping and warehouse costs, office and general costs, compliance, legal, accounting, and other professional fees as well as miscellaneous repairs and maintenance. The Company anticipates a continued decrease in future general and administrative expenses in absolute dollars due to workforce scaling for the upcoming year and the absence of certain acquisition and professional fees.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)**Management's Discussion & Analysis**

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

Foreign exchange

The Company's presentation and functional currency is the Canadian dollar. The functional currency of the Company's subsidiaries is the Canadian dollar, except for the subsidiaries which are incorporated in the United States and India, which functional currency is the US dollar. While most of the revenue is denominated in USD, a large portion of expenses is incurred in Canadian dollars due to the head office and a substantial part of the workforce being based in Canada.

RESULTS OF OPERATIONS

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

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Revenue	756,476	1,176,607	2,890,109	3,882,804
Cost of sales	(218,973)	(1,035,692)	(1,005,921)	(2,678,033)
Gross profit	537,503	140,915	1,884,188	1,204,771
Operating expenses	(1,519,733)	(5,932,148)	(7,208,887)	(19,350,734)
Other expenses	(331,875)	519,944	(376,024)	(8,595)
Loss before taxes from continuing operations	(1,314,105)	(5,271,289)	(5,700,723)	(18,154,558)
Income tax recovery	-	(203,306)	-	(18,039)
Net loss from continuing operations	(1,314,105)	(5,474,595)	(5,700,723)	(18,172,597)
Net income (loss) from discontinued operations	-	(108,451)	-	(452,697)
Total net loss	(1,314,105)	(5,583,046)	(5,700,723)	(18,625,294)

Revenue

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Technology services	-	-	-	125,236
Renewable software licenses	445,170	1,145,615	2,550,550	3,652,548
MapD Sales	302,508	-	302,508	-
Other revenue	8,798	30,992	37,051	105,020
	756,476	1,176,607	2,890,109	3,882,804

Q3 2024 compared to Q3 2023

Revenue decreased by 36% compared to the prior year comparable period.

Technology services

Technology services revenue is generated from contracts for virtual events, higher education, professional services related to virtual conferences, augmented reality services, other services for the portion of the services completed to date. Technology services are \$nil in current and prior year comparable period primarily due to the management's shift in focus towards renewable software licenses.

Renewable software licenses

Renewable software licenses decreased to \$445,170 compared to \$1,145,615 in the prior year comparable period. This represents a decrease of 61% which is primarily due to the new cost structure and operating out of India which lowered our license fees compared to the prior year comparable period.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)**Management's Discussion & Analysis**

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

YTD 2024 compared to YTD 2023

Revenue decreased by 26% compared to the prior year comparable period.

Technology services

Technology services revenue is generated from contracts for virtual events, higher education, professional services related to virtual conferences, augmented reality services, other services for the portion of the services completed to date. Technology services decreased to \$nil compared to \$125,236 in the prior year comparable period primarily due to management's shift in focus towards renewable software licenses.

Renewable software licenses

Renewable software licenses decreased to \$2,550,550 compared to \$3,652,548 in the prior year comparable period. This represents a decrease of 30% which is primarily due to the new cost structure and operating out of India which lowered our license fees compared to the prior year comparable period.

Cost of sales and gross margin

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Cost of sales	(218,973)	(1,035,692)	(1,005,921)	(2,678,033)
Gross profit	537,503	140,915	1,884,188	1,204,771
Gross margin	71%	12%	65%	31%

Gross profit for the three and nine months ended September 30, 2024 increased to \$537,503 from \$140,915, and \$1,884,188 from \$1,204,771, respectively, when compared to the prior year comparable periods. The decrease in cost of sales over the prior year comparable period is due to the expansion of the Company's 3D model production capacity and scaling up operations in India, which represents a more cost-effective business model.

Sales and marketing expenses

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Sales and marketing	556,899	867,586	1,531,504	3,876,879
As a percentage of revenue	74%	74%	53%	100%

Sales and marketing expenses for the three and nine months ended September 30, 2024 were \$556,899 and \$1,531,504 respectively, a decrease of 36% and 60% respectively, compared to \$867,586 and \$3,876,879 in the prior year comparable period. During the nine months ended September 30, 2024, the Company did not have any significant sales and marketing efforts related to AR 3D products, which resulted in a lower level of spending in quarters following Q3 2023, mainly from lower advertising, salaries and investor relations expenditures. Included in this expense is sales and marketing expenditures for the nine months ended September 30, 2024 of \$338,762 from the partially owned subsidiaries, ARWay and Toggle. The Company continues to monitor sales and marketing spending in relation to the demand for current product offerings and the related revenue potential.

General and administrative expenses

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
General and administrative	959,512	2,110,952	3,935,842	7,376,579
As a percentage of revenue	127%	179%	136%	190%

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)**Management's Discussion & Analysis**

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

General and administrative expenses for the three and nine months ended September 30, 2024 were \$959,512 and \$3,935,842, a decrease of 55% and a 47% respectively, compared to \$2,110,952 and \$7,376,579 in the prior year comparable period. The decrease is attributed to management's efforts in reducing the corporate expenses including salaries and wages, professional fees, as well as office, general expenses and other expenses. Included in general and administrative expenses in the current period was \$619,050 from the partially owned subsidiaries, ARWay and Toggle. General and administrative expenses comprise of legal, accounting, professional fees, compliance, and headcount from administrative functions of the business including finance, human resources, operations, management, and internal information system support. The Company continues to monitor these expenses closely and continually monitors for reductions in certain expenditures where needed to fit revenue streams.

Research and development expenses

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Research and development	267,016	1,063,667	1,350,070	2,820,833
As a percentage of revenue	35%	90%	47%	73%

Research and development expenses for the three and nine months ended September 30, 2024 were \$267,016 and \$1,350,070, a decrease of 75% and 52% respectively, compared to \$1,063,667 and \$2,820,833 in the prior year comparable period. The decrease compared to prior year comparable periods is due to the removal of resources associated with the virtual events platform business exit, which exceeded the increasing resources as we invest in AI. In addition, during the current period research and development activities migrated to our team located in India resulting in cost savings. The Company maintains a development focus on 3D AR products, primarily utilizing internal labor resources. All the products in the Company's technology stack are now in the commercialization stage actively generating revenue. Research and development expenses are dedicated to enhancing and maintaining existing products while integrating them into a unified suite. The Company anticipates future expenses in this category will mainly involve internal labor and are not expected to significantly exceed the current level of spending. As projects conclude or near completion, management will assess resource allocation for the next project in its product development roadmap.

Net loss from continuing operations

Net loss from continuing operations decreased for the three and nine months ended September 30, 2024 was \$1,314,105 and \$5,700,723, respectively, compared to \$5,474,595 and \$18,172,597 in the prior year comparable period. The decrease is due to lower general and administrative expenses and sales and marketing expenses compared to last year.

KEY FINANCIAL POSITION ITEMS

A summary of the Company's selected financial position items is as follows:

	September 30, 2024	December 31, 2023
	\$	\$
Working capital deficit	(4,201,630)	(2,206,405)
Total assets	1,128,895	2,986,435
Total non-current liabilities	372,310	469,624
Total liabilities	5,108,115	4,486,998
Receivables	65,793	357,398
Contract asset	-	51,320
Deferred revenue	203,268	342,192

Working capital deficit

As at September 30, 2024, the Company had a working capital deficit of \$4,201,630 compared to \$2,206,405 as at December 31, 2023. The increase in working capital deficit was primarily a result of reduced cash and cash equivalents and an increase in accounts payable.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)**Management's Discussion & Analysis**

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

Receivables

A summary of the Company's receivables is as follows:

	September 30, 2024	December 31, 2023
	\$	\$
GST receivable	14,028	66,118
Trade receivables	51,765	291,280
	65,793	357,398

Trade receivables as at September 30, 2024 were \$65,793, representing a decrease of 82% compared to December 31, 2023. This decline is primarily attributed to reduced demand of the Company's services and the collection of year-end balances.

Contract asset

Contract asset represents unbilled customer revenue for services provided as well as unbilled costs incurred on behalf of customers. Contract asset as at September 30, 2024 was \$nil, decreasing 100% compared to \$51,320 as at December 31, 2023. This decrease was due to the Company transitioning from a service-based model to a SaaS model, wherein revenue is recognized more evenly over the subscription period.

Deferred revenue

Deferred revenue represents billings made in accordance with customer contracts in advance of the service being provided. As at September 30, 2024, deferred revenue was \$203,268 representing a decrease of 41% compared to \$342,192 as at December 31, 2023. This decrease is due to a reduction in advance billings for future services to be provided.

QUARTERLY FINANCIAL INFORMATION ⁽¹⁾

	Q3 2024	Q2 2024	Q1 2024	Q4 2023
	\$	\$	\$	\$
Total revenue, including revenue from discontinued operations	756,476	1,108,941	1,024,692	1,121,345
Net loss from continuing operations attributed to shareholders of the Company	(1,072,473)	(2,041,290)	1,364,109	(9,876,124)
Net loss attributed to shareholders of the Company	(1,072,473)	(2,041,290)	1,364,109	(9,876,241)
Loss per share from continuing operations, basic and diluted	(0.01)	(0.01)	(0.01)	(0.08)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.08)
	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	\$	\$	\$	\$
Total revenue, including revenue from discontinued operations	1,176,607	1,401,976	1,301,194	1,721,378
Net loss from continuing operations attributed to shareholders of the Company	(3,609,011)	(6,117,613)	(5,506,799)	(4,925,041)
Net loss attributed to shareholders of the Company	(3,717,462)	(6,104,228)	(5,864,430)	(5,839,264)
Loss per share from continuing operations, basic and diluted	(0.03)	(0.06)	(0.06)	(0.04)
Loss per share, basic and diluted	(0.03)	(0.06)	(0.06)	(0.05)

(1) As a result of the reclassifications and change in presentation of certain items within the consolidated statements of loss and comprehensive loss in Q4 2023, figures for quarters preceding Q4 2023 in this section have been revised for comparability.

From Q4 2022, the Company experienced a decrease in its total revenue following the discontinuation of the virtual events and ecommerce segment, with a shift of focus towards the more profitable business including AR and 3D services.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)**Management's Discussion & Analysis**

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2024, the Company had cash and cash equivalents of \$102,175 (December 31, 2023 - \$907,847) and working capital deficit of \$ 4,201,630 (December 31, 2023 - \$2,206,405).

The Company has some contractual obligations including accounts payable and accrued liabilities and lease payments for the warehouse. A summary of the Company's contractual obligations as at September 30, 2024 is as follows:

	< 1 year	1-3 years	Total
	\$	\$	\$
Accounts payable and accrued liabilities	4,389,139	-	4,389,139
Lease liability	191,028	554,825	745,853
	4,580,167	554,825	5,134,992

The Company's financial success is dependent on the adoption and sales performance of its AR products as well as the effectiveness of cost management practices. Management continually monitors and manages these factors, alongside market dynamics and competitive pressures, to uphold a sound liquidity profile.

To finance the Company's AR development projects and to cover operating expenses, the Company has raised money through equity issuances, receivables factoring, and the employee pay program which provides funds for paying salaries and wages. The Company is actively monitoring liquidity and capital resources as well as taking necessary steps to manage its working capital and to fulfill its contractual obligations, including implementing cost-saving measures, improving its collections process, and evaluating additional financing options. Historically, the Company has been successful in raising capital. However, there is no assurance that the Company will continue to be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

A summary of the Company's cash position and changes in cash is as follows:

	YTD 2024	YTD 2023
	\$	\$
Cash used in operating activities	(3,860,173)	(10,386,931)
Cash provided by (used in) investing activities	283,579	(146,236)
Cash provided by financing activities	2,807,525	9,691,794
Net change in cash	(769,069)	(841,373)
Effects of foreign exchange rates on cash and cash equivalents	(36,602)	52,956
Cash and cash equivalents, beginning of period	907,847	3,777,117
Cash and cash equivalents, end of period	102,176	2,988,700

Cash used in operating activities from continuing operations was \$3,860,173 compared to \$10,386,931 in the prior year comparable period. The decrease in cash outflow was mainly due to less cash used on payments for general and administrative as well as sales and marketing expenses.

Cash provided by investing activities from continuing operations was \$283,579 compared to cash used in investing activities of \$146,236 in the prior year comparable period. The cash inflow during the current year periods was due to payments received from sublease and the proceeds from deferred consideration, partially offset by the purchase of equipment in the current period.

Cash provided by financing activities from continuing operations was \$2,807,525 compared to \$9,691,794 in the prior year comparable period. The decrease in cash inflow was mainly due to net proceeds from private placements in the prior year comparable period, and lower proceeds from the employee pay program and securities issued to non-controlling interest in the current period.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

CAPITAL MANAGEMENT

The Company's definition of capital includes equity, comprising share capital, reserves, accumulated other comprehensive income, deficit and non-controlling interest. 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 September 30, 2024, the Company had shareholders' deficiency of \$3,979,220 (December 31, 2023 - \$1,500,563).

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. There were no changes to the Company's approach to capital management during the nine months ended September 30, 2024.

The Company is not subject to any externally imposed capital requirements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at September 30, 2024, the Company's financial assets and liabilities include cash and cash equivalents, trade receivables, deferred consideration, and accounts payable and accrued liabilities. These instruments were classified as amortized cost.

The carrying values of cash and cash equivalents, receivables and accounts payable and accrued liabilities approximate their fair values because of their short-term nature. For deferred consideration, the carrying value is determined by discounting future cashflows at the effective interest rate. Any difference between the nominal value and present value is recognized in interest income.

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company is exposed to credit risk through its cash and cash equivalents, trade receivables, deferred consideration and contract asset. The Company mitigates credit risk related to cash by placing cash with sound financial institutions. For sales contracts and trade receivables, the Company trades with recognized creditworthy third parties and regularly reviews the collectability of its accounts receivable. The deferred consideration is subject to credit risk, reliant on PET's future profitability and the purchaser's financial stability, with potential impacts on the timing and amount of cash flows received. The Company assesses this risk by monitoring the financial performance of PET and evaluating the purchaser's ability to meet its payment obligations.

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 and lease liabilities that have a fixed schedule of payment.

As at September 30, 2024, the Company had cash and cash equivalents of \$102,175 (December 31, 2023 - \$907,847) and working capital deficit of \$4,201,630 (December 31, 2023 - \$2,206,405).

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 September 30, 2024, the Company is exposed to currency risk through cash and cash equivalents, receivables, deferred consideration and accounts payable denominated in USD. A 10% change in exchange rate could increase or decrease the Company's net loss by \$75,439.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)**Management's Discussion & Analysis**

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

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 is not exposed to interest rate risk as there is no financial asset or liability that has a variable interest rate.

SUBSEQUENT EVENTS

From October 17, 2024 to October 29, 2024, the Company has issued 4,939,790 common shares upon the exercise of warrants related to the employee pay program.

OUTSTANDING SHARE DATA

A summary of the Company's outstanding securities is as follows:

	September 30, 2024	November 29, 2024
	#	#
Common shares	149,909,820	157,849,610
Options	17,137,152	17,128,152
Warrants	39,803,546	39,106,180

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2024 and the MD&A date, the Company has no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

As at September 30, 2024 and the MD&A date, the Company has no proposed transactions.

RELATED PARTY TRANSACTIONS

The Company entered into a number of transactions with key management personnel that have the authority and responsibility for the planning, directing and controlling of the activities of the Company. The Company considers the executive officers and directors as the key management of the Company.

A summary of the transactions with key management personnel is as follows:

	Q3 2024	Q3 2023	YTD 2024	YTD 2023
	\$	\$	\$	\$
Compliance fees included in general and administrative	(518,464)	6,935	27,767	26,150
Management fees included in general and administrative	(135,116)	252,045	410,017	711,771
Salaries of the Chief Financial Officer included in general and administrative	37,500	62,500	129,917	187,500
Share-based compensation	-	1,042,205	93,823	1,445,601
	(616,080)	1,363,685	661,524	2,371,022

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)
Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023
(Expressed in Canadian dollars, except where noted)

The Company's policy is to engage in all transactions with related parties on an arm's length basis in accordance with prevailing market terms and conditions. The Company has entered into employment agreements with related parties, and these related parties may participate in the Company's share-based compensation plan.

At times, the executive management team, consisting of the President, the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and other senior officers, may enter into shares-for-services agreements, allowing for the election of up to 100% of their compensation to be received in shares.

The Company has an agreement with the Chief Executive Officer ("CEO") in which the Company compensates the CEO for management services monthly, combining cash and share issuance over a five-year term until April 1, 2027. As at September 30, 2024, accounts payable and accrued liabilities included \$1,599,527 owed to the CEO (December 31, 2023 - \$939,532). The amounts are non-secured, non-interest bearing, payable on demand and represent the value of shares to be issued to the CEO.

USE OF PROCEEDS FROM PRIVATE PLACEMENT FINANCING

A summary of the Company's proceeds from private placement financing during the nine months ended September 30, 2024 and the use of the proceeds is as follows:

September 2024 Financing

On September 25, 2024, the Company closed a private placement in which the Company issued 4,750,000 units for gross proceeds of \$ 190,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at an exercise price of \$0.15 until September 25, 2026. Applying the residual method, fair value of \$ 308,750 was allocated to share capital and \$107,241 was allocated to reserves.

In connection with the private placement in September 2024, the Company paid cash transaction fees of \$5,600 and issued 700,000 warrants to certain brokers. The warrants issued to the brokers are exercisable at \$0.15 until September 25, 2026.

Use of funds	Actual Spent	Remaining	Total
Working capital and general corporate purposes	\$190,000	\$nil	\$190,000

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING JUDGMENTS

The preparation of financial statements under IFRS Accounting Standards requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The accounting estimates, judgements and assumptions used in the preparation of the Financial Statements are consistent with those applied and disclosed in the notes to the Annual Financial Statements.

UPDATE ON PRESS RELEASES

For the period ended September 30, 2024 and to the date of this report, the Company has signed over 368 contracts with a dollar value of over \$2,882,033. During that time, the Company has disseminated news releases for contracts and agreements for the Company's services. The disclosed contracts/purchase orders ranged in value from \$270 to \$1,800,000, excluding those contracts where no immediate value to the Company was determinable. To the extent these figures were originally expressed or recorded in United States dollars, the Company has converted such figures into Canadian dollars using an exchange rate of US\$1.00 = \$1.35, aggregated the totals and rounded the results. The aggregate value of the contracts/purchase orders is material to the Company. An estimated \$2,600,000 of the disclosed contracts/purchase orders has been billed by the Company as at September 30, 2024, \$282,033 remains to be billed by the Company and \$nil orders were cancelled.

NexTech3D.AI Corporation (formerly NexTech AR Solutions Corp.)

Management's Discussion & Analysis

For the three and nine months ended September 30, 2024 and 2023

(Expressed in Canadian dollars, except where noted)

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes during the nine months ended September 30, 2024 in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A for the years ended December 31, 2023 and 2022 as on SEDAR+ at www.sedarplus.ca.