Interim Financial Statements of

Toggle3D.AI Inc.

Three and six months ended July 31, 2023

(Expressed in Canadian Dollars)

(Unaudited)

Toggle3D.ai Inc.

Interim Statement of Financial Position
(Expressed in Canadian dollars)

As at		July 31, 2023		January 31, 2023
Assets				
Current assets				
Cash & cash equivalents	$	1,933,801	$	-
Prepaid expenses		40,750		-
		1,974,551		-
Non-current assets				
Intangible asset (Note 4)		4,861,111		-
Total assets	$	6,835,662	$	-
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	$	92,077	$	-
Total liabilities		92,077		-
Shareholders' Equity				
Share capital (Note 6)		7,206,570		-
Reserves		201,472		
Accumulated other comprehensive income				
Deficit		(664,457)		-
		6,743,585		-
Total liabilities and shareholders' equity	$	6,835,662	$	-

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 10)

Approved by the Board of Directors

"Evan Gappelberg" , Director   *"Belinda Tyldesley"* , Director

The accompanying notes are an integral part of these interim financial statements

Toggle3D.ai Inc.

Interim Statement of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

		Three and Six months ended July 31, 2023
Revenue	$	203
Operating expenses:		
Sales and marketing (Note 9)		25,665
General and administrative (Note 9)		245,930
Research and development (Note 9)		4,491
		276,086
Other expense (income)		
Stock based compensation (Note 6)		249,685
Amortization (Note 4)		138,889
		388,574
Net loss and comprehensive loss from operations	$	(664,457)
Income (loss) per common share		
Basic and diluted loss per common share		(0.04)
Weighted average number of common shares outstanding		
Basic and diluted		28,605,301

The accompanying notes are an integral part of these interim financial statements

Toggle3D.ai Inc.

Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Reserves	Deficit	Total
Balance, January 31, 2023	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Common shares issued for cash	100	1	-	-	1
Balance, April 30, 2023	**100**	**1**	**-**	**-**	**1**
Employee pay program	48,213	48,213	(48,213)	-	**-**
Units issued for cash	8,632,473	2,158,356	-	-	**2,158,356**
Common shares issued for intangible assets	19,999,900	5,000,000	-	-	**5,000,000**
Stock-based compensation	-	-	249,685	-	**249,685**
Deficit	-	-	-	(664,457)	**(664,457)**
Balance, July 31, 2023	**28,680,686**	**$ 7,206,570**	**$ 201,472**	**$ (664,457)**	**$ 6,743,585**

The accompanying notes are an integral part of these interim financial statements

Toggle3D.ai Inc.

Interim Statement of Cash Flows
(Expressed in Canadian dollars)

		Three months ended July 31, 2023		Six months ended July 31, 2023
Cashflows from operating activities				
Net loss	$	(664,457)	$	(664,457)
Items not affecting cash				
Amortization of intangible assets		138,889		138,889
Shares for services		-		-
Stock-based compensation		249,685		249,685
Changes in non-cash working capital balances				
Receivables		-		-
Prepaid expenses		(40,750)		(40,750)
Accounts payable and accrued liabilities		92,077		92,077
Cashflows from operating activities	$	(224,556)	$	(224,556)
Cashflows from financing activities				
Proceeds from issuance of common shares		2,158,356		2,158,357
Net cash provided by (used in) financing activities	$	2,158,356	$	2,158,357
Change in cash during the period		1,933,800		1,933,801
Cash, beginning of period		1		
Cash, end of period	$	1,933,801	$	1,933,801

The accompanying notes are an integral part of these interim financial statements

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Toggle3D.AI Inc. ("Toggle3D" or the "Company") develops and operates intellectual property which includes the Toggle3D web application. Toggle3D is a SaaS solution that utilizes generative AI to convert CAD files, apply 4K texturing, and enable seamless publishing of superior 4K 3D models. The Company was incorporated under the Business Corporations Act (Ontario) on February 14, 2023. The Company was incorporated as the target company for certain assets that are to be spun out from Nextech AR Solutions Corp. ("Nextech"). The Company is a wholly owned subsidiary of Nextech. 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 trade in Canada on the Canadian Securities Exchange under the trading symbol "TGGL" and on the OTCQB Venture Market under the trading symbol "TGGLF"

These interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. During the period ended July 31, 2023, the Company did not generate significant revenues and incurred negative cash flow from operations. As at July 31, 2023, the Company has an accumulated deficit of $664,457. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing through debt or equity. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Presentation

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These interim financial statements were authorized for issuance by the Board of Directors on September 28, 2023.

Basis of Measurement

These interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

Intangible Assets

Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. The Company amortizes intangible assets over 3 years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If indicators exist, then the asset's recoverable amount is estimated. The recoverable amounts of the following types of intangible assets are measured annually, whether or not there is any indication that it may be impaired:

- an intangible asset with an indefinite useful life;
- an intangible asset not yet available for use; and
- goodwill recognized in a business combination.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Financial Instruments

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value in other comprehensive income ("FVOCI"); or fair value in profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired. In cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of operations, unless this creates an accounting mismatch.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A single expected credit loss model is used for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of operations. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

In respect of assets other than goodwill and intangible assets that have indefinite useful lives, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed in a subsequent period when there has been an increase in the recoverable amount of a previously impaired asset or CGU. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Share-based Payments
The Company grants stock options to purchase common shares of the Company as well as equity instruments representing common shares to directors, officers, employees, and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the vesting period. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the number of the options that are expected to vest. If the options are forfeited subsequent to vesting or expire, the amount recorded to the reserves is transferred to deficit.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to equity shareholders of the Company by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated by adjusting the loss attributable to equity shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive common shares. The calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Research and Development Costs

Research costs are charged to operations as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable, and the Company intends to or has sufficient resources to complete development and to use or sell the asset. The expenditure capitalized includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets. Other development expenditure is recognized in the statement of operations as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and Judgments

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

Accounting Estimates

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

<u>Carrying value and recoverability of intangible assets</u>

The Company has determined that intangible assets that are capitalized may have future economic benefits and may be economically recoverable. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market condition and useful lives of assets.

<u>Share-based payments</u>

The Company has determined that the fair value of common shares issued to acquire intangible assets should be based on common share issuances to third parties for cash that occurred concurrently.

Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to:

<u>Going concern</u>

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported revenue and the expenses and the statement of financial position classifications used.

New Standards, Interpretations, and Amendments

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended June 13, 2023, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. CASH AND CASH EQUIVALENTS

Toggle3D holdsshort-term investments consisting of Guaranteed Investment Certificates in Canadian Dollars with annual interest rates of 4.95%. As at July 31, 2023 Toggle3D held a total of $1,500,000 of short-term investments.

(Expressed in Canadian dollars)

4. INTANGIBLE ASSET

		Technology		Total
Costs				
Balance, January 31, 2023	$	-	$	-
Additions		5,000,000		5,000,000
July 31, 2023	$	5,000,000	$	5,000,000
Accumulated depreciation				
Balance, January 31, 2023	$	-	$	-
Additions		138,889		138,889
July 31, 2023	$	138,889	$	138,889
Net book value				
Balance, January 31, 2023	$	-	$	-
July 31, 2023	$	4,861,111	$	4,861,111

On June 13, 2023, Nextech completed the spin out of Toggle3D.ai Inc. whereby Nextech transferred intellectual property and technology assets related to the Toggle3D platform to the Company in exchange for the issuance of 19,999,900 common shares with a fair value of $5,000,000.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		July 31, 2023		January 31, 2023
Accounts payable	$	84,397	$	-
Accrued liabilities		7,680		-
	$	92,077	$	-

6. SHARE CAPITAL

Authorized:
The authorized share capital of the Company is an unlimited number of common shares.

Issued:
On February 14, 2023, the date of incorporation, the Company issued 100 common shares for $1.

On June 13, 2023 and July 31, 2023, the Company had the following share transactions as part of the plan of arrangement related to the spinout of the Company from Nextech:

- June 13, 2023 - issued 19,999,900 common shares with a fair value of $5,000,000 to Nextech and the shareholders of Nextech in exchange for intangible assets (refer to Note 4); and
- June 13, 2023 - issued 8,632,473 units at $0.25 per unit for proceeds of $2,158,356. Each unit consisted of one common share and one share purchase warrant exercisable at $0.50 per common share expiring on June 13, 2026. Included in this private placement were 100,000 units for proceeds of $25,000 issued to each of the Chief Financial Officer of the Company and the spouse of a director of the Company.
- July 31, 2023 – issued 48,213 common shares for services at $1.00 per share.

(Expressed in Canadian dollars)

7. Share Purchase Warrants

Share purchase warrants

	Number		Weighted Average Exercise Price
Balance, January 31, 2023	-	$	-
Granted	9,370,023		0.54
Exercised	(48,213)		1.00
Balance as at July 31, 2023	9,321,810	$	0.54

As at July 31, 2023, the Company had 8,832,473 share purchase warrants exercisable at $0.50 per common share expiring on June 24, 2026 and 689,337 share purchase warrants exercisable at $1.00 per common share expiring July 24, 2026.

Stock options

	Number		Weighted Average Exercise Price
Balance, as at January 31, 2023	-	$	-
Granted	2,040,000		1.09
Balance as at July 31, 2023	2,040,000	$	1.09

On July 5, 2023 the Company issued 2,040,000 stock options with an exercise price of $1.09 expiring on July 5, 2026.

8. RELATED PARTY TRANSACTIONS AND BALANCES

The Company considers the executive officers and directors as the key management of the Company. During the six month period ended July 31, 2023, the Company paid no remuneration to management personnel including those persons having the authority and responsibility for the planning, directing and controlling of the activities of the Company.

On June 14, 2023 the Company entered into a management agreement with Nextech AR Solutions Corp. which is a majority shareholder of the Company's shares. The contract stipulates that a management fee of up to $150,000 per month will be paid to Nextech AR Solutions Corp. 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 AR Solutions Corp based on fair market rates. During the period ended July 31, 2023, the Company paid $213,334 in fees.

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

		Three and Six months ended July 31, 2023
Management fees paid to NextechAR Solutions Corp.	$	213,334
Remuneration for services		-
	$	213,334

9. EXPENSES BY NATURE

(Expressed in Canadian dollars)

The Company presents operating expenses by function with the exception of amortization, depreciation and foreign exchange loss. The following presents operating expenses by nature:

		Three and Six months ended
Sales and marketing		**July 31, 2023**
Advertising	$	5,059
Investor relations		20,606
	$	25,665

		Three and Six months ended
General and administrative		**July 31, 2023**
Compliance fees	$	16,795
Management fees		213,334
Office, general, and other		15,801
	$	245,930

		Three and Six months ended
Research and development		**July 31, 2023**
Consultant fees	$	4,491
	$	4,491

FINANCIAL AND CAPITAL RISK MANAGEMENT
Financial Risk Management

The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, and interest rate risk.

Credit Risk

Credit risk arises from cash as well as credit exposures to counterparties of outstanding receivables and committed transactions. There is no significant concentration of credit risk other than cash and cash equivalents and accounts receivable. The Company's cash and cash equivalents are primarily held with a Canadian chartered bank and accounts receivable are due from the distributors of the Company's products and customers.

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.

Foreign Currency Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to significant foreign exchange rate risk.

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 significant interest rate risk as it does not have any liabilities with variable rates.

Fair Values

The Company's financial instruments consist of cash. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments. As at July 31, 2023, the Company's financial instruments were classified as amortized cost. The carrying value of cash approximates its fair value because of the short-term nature of this instrument.

Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged since incorporation.

10. SUBSEQUENT EVENT

On August 21, 2023 Toggle announced that the Company's common shares are now available for trading in the USA on the OTCQB Venture Market under the stock symbol: TGGLF.

The Company entered into a services agreement with Evan Gappelberg effective as of September 1, 2023 pursuant to which Mr. Gappelberg agreed to provide CEO related duties to the Company. In consideration for his services the Company agreed to pay Mr. Gappelberg an amount of US$10,000 per month payable in cash or payable in Common Shares of the Company. This agreement has a five year term, but may be terminated subject to specific termination clauses explained in the agreement. Each subsequent year, Mr. Gappelberg shall receive a 5% increase in compensation of cash until the termination of the agreement. In addition, Mr. Gappelberg is entitled to receive up to 3,435,888 stock options to be granted as the Company achieves market capitalization milestones between CAD $75 million to CAD $625 million. These stock options have a five-year term and exercisable at a price per share to be determined at the date of issuance.