



Toggle3D.ai

TOGGLE3D.AI INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2023

DATED: SEPTEMBER 28, 2023

Unless the context requires otherwise, all references in this management's discussion and analysis (the "MD&A") to "Toggle3D.ai", "we", "us", "our" and the "Company" refer to Toggle3D.ai Corporation as constituted on July 31, 2023. This MD&A has been prepared with an effective date of September 28, 2023.

The financial information presented in this MD&A is derived from our interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our future plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements".

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.

All references to \$ or dollar amounts in this MD&A are to Canadian currency unless otherwise indicated.

Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca.

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.

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.

RISKS AND UNCERTAINTIES

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

- If we are unable to attract new customers or sell additional products to our existing customers, our revenue growth and profitability will be adversely affected.
- We encounter long sales cycles for technology services, particularly with our larger customers, which could have an adverse effect on the amount, timing and predictability of our revenue.
- Downturns or upturns in new sales will not be immediately reflected in operating results and may be difficult to discern.
- Our quarterly results of operations may fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts which could cause our share price to decline.
- Our ability to retain customers and attract new customers could be adversely affected by an actual or perceived breach of security relating to customer information.
- We have incurred operating losses in the past and may incur operating losses in the future.
- If we are unable to develop new products and services, sell our solutions into new markets or further penetrate our existing markets, our revenue will not grow as expected.
- Our inability to assess and adapt to rapid technological developments could impair our ability to remain competitive.

- Downturns in general economic and market conditions and reductions in spending may reduce demand for our solutions, which could negatively affect our revenue, results of operations and cash flows.
- We are subject to fluctuations in currency exchange rates.
- The markets in which we participate may become competitive, and our failure to compete successfully would make it difficult for us to add and retain customers and would reduce or impede the growth of our business.
- If we fail to retain our key employees, our business would be harmed, and we might not be able to implement our business plan successfully.
- Our growth is dependent upon the continued development of our direct sales force.
- If we experience significant fluctuations in our rate of anticipated growth and fail to balance our expenses with our revenue forecasts, our results could be harmed.
- Interruptions or delays in the services provided by third party data centers and/or internet service providers could impair the delivery of our solutions and our business could suffer.
- The use of open-source software in our products may expose us to additional risks and harm our intellectual property.
- We may not receive significant revenue as a result of our current research and development efforts.
- Current and future accounting pronouncements and other financial reporting standards might negatively impact our financial results.
- The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies may have a conflict of interest.
- Our strategy includes pursuing acquisitions and our potential inability to successfully integrate newly acquired companies or businesses may adversely affect our financial results.
- The market price for our common shares may be volatile.
- We may issue additional common shares in the future which may dilute our shareholders' investments.
- We may face challenges to our intellectual property rights, which could have a material adverse impact on the Company.
- Uncertainties associated with the economic and market impact related to COVID-19.
- We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

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

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

OVERVIEW

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. 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.

SECOND QUARTER HIGHLIGHTS

During the three months ended July 31, 2023, and up to the date of this report the Company:

- On June 6, 2023, Nextech3D.ai Shareholders Approve IPO Spin-out of Its Generative-AI CAD-3D Design Studio "Toggle3D.ai"
- On June 8, 2023, Nextech3D.ai's Generative AI CAD-3D Design Studio "Toggle3D" Goes Live
- On June 13, 2023, Nextech3D.ai AI- IPO Spin-off Toggle3D.ai Approved By The Canadian Securities Exchange (CSE) to Trade on Wednesday June 14th Symbol: TGGL
- On June 14, 2023, Toggle3D.ai Begins Trading on the Canadian Securities Exchange (CSE: TGGL)
- On July 5, 2023, Toggle3D.ai - the Generative AI CAD-3D Model SaaS Studio Begins Trading in the USA Under the Stock Symbol: TGGLF
- On July 27, 2023, Toggle3D.ai Experiences Exponential User Growth, Surpassing 10,000 Mark Since June IPO, a 300% Surge
- On August 17, 2023, Toggle3D.ai Integrates With Sketchfab Offering New Unlimited AI-Generated 3D Model Texturing Options & One-Click Account Access
- On August 21, 2023, Toggle3D.ai Approved and Now Trading on the OTCQB Exchange Under the Ticker TGGLF

RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the three and six months ended July 31, 2023:

	Three and Six months ended	
	July 31, 2023	
Statement of Operations	<hr/>	
Revenue	\$	203
Operating expenses		
Sales and marketing		(25,665)
General and administrative		(245,930)
Research and development		(4,491)
		<hr/>
		(276,086)
Other expenses		(388,574)
Loss before income taxes		(664,457)
Tax recovery (expense)		-
Net loss		<hr/>
		(664,457)
Net loss per share (basic and diluted)		<hr/> <hr/>
		(\$0.04)

Selected financial position figures:

	As at		As at	
	July 31, 2023		January 31, 2023	
Financial Position	<hr/>		<hr/>	
Working capital	\$	1,882,474	\$	-
Total assets		6,835,662		-
Non-current liabilities		-		-

Revenue

The Company generates revenue from the sale of licenses to its platform. Total revenue for the three and six months ended July 31, 2023 was \$203. As disclosed in the Management Information Circular related to the Company's spin out, no significant amounts of revenue are expected in the first couple of quarters after the spin out.

Selling and marketing expenses

Sales and marketing expenses for the three and six months ended July 31, 2023, was \$25,665. Selling and marketing expenses consist primarily of advertising, marketing, and investor relations.

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

General and administrative expenses

General and administrative expenses for the three and six months ended July 31, 2023 was \$245,930. 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. On June 14 2023, Toggle3D.ai and its parent company, Nextech Solutions Corp ("Nextech"), entered into an agreement that would pay Nextech management fees of up to \$150,000 per month for shared services related to the above noted costs and research and development costs noted below. Additional costs in general and administrative includes professional fees for legal and compliance costs.

Research and development expenses

Research and development expenses for the period ended July 31, 2023, was \$4,491. This consists of fees related to the development and improvement of the Toggle3D.ai platform from the allocation of above-mentioned management fees charged by Nextech.

Loss from Continuing Operations

Loss from continuing operations for the period ended July 31, 2023, was \$664,457 or \$0.04 per share basic and diluted, respectively. The loss is mainly due to expenses incurred related to selling and marketing, general and administrative, and research and development, as described above.

Working Capital

Working capital as of July 31, 2023, was \$1,882,474 an increase from \$0 in January 31, 2023. The increase in Working Capital was mainly due to the increase in the cash balance from the private placement related to the IPO.

Key Financial Position Items

	<u>July 31, 2023</u>	<u>January 31, 2023</u>
Total assets	\$ 6,835,662	\$ -
Total liabilities	92,077	-

Total assets as at July 31, 2023, was \$6,835,662. The increase in assets is mainly due to the purchase of intangible assets from Nextech AR Solutions Corp.

Total liabilities as at July 31, 2023, was \$92,077. The increase in liabilities is mainly due to expense increases as operations have ramped up. Liabilities are mainly related to trade payables for normal business expenditures.

LIQUIDITY AND CAPITAL RESOURCES

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

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

	<u>Three months ended</u> <u>July 31, 2023</u>	<u>Six months ended</u> <u>July 31, 2023</u>
Cash inflow (outflow) by activity		
Operating activities	\$ (224,556)	\$ (224,556)
Investing activities	-	-
Financing activities	<u>2,158,356</u>	<u>2,158,357</u>
Net cash inflows (outflows)	\$ <u>1,933,800</u>	\$ <u>1,933,801</u>

During the three and six months ended July 31, 2023, the Company had net cash inflow of \$1,933,800 and \$1,933,801 respectively.

Cash used in operating activities for the period ended July 31, 2023, was \$224,556. As the operations of the company ramps up, we expect the cash outflow to increase.

Cash from financing for the three and six months ended July 31, 2023, was \$2,158,356 and \$2,158,357 respectively. The cash inflow is due to net proceeds from a private placement.

As of July 31, 2023, we had cash of \$1,933,801, working capital of \$1,882,474. We anticipate further sales of our product offerings as we continue to grow. Our cash position is healthy and allows us to continue to deliver on our strategy and growth. We anticipate growth of our license revenue will generate cash flow to reduce the amount of working capital required to sustain operations. The amount and pricing of financing the Company is able to raise in the future is dependent on the cyclical nature of the equity markets, and the perception and adoption of AR and AR technologies in the mainstream.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 28,777,112 common shares issued and outstanding. The Company also has 2,100,000 share purchase options outstanding at exercise prices ranging from \$0.54 to \$1.09 per option and expiry dates ranging from July 5, 2026, to September 13, 2026. The Company also has 9,321,810 share purchase warrants outstanding at exercise prices ranging from \$0.50 to \$1.00 per warrant with expiry dates ranging from June 13, 2026 to July 24, 2026.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

The Company's policy is to conduct all transactions with related parties at arm's length to align with market terms and conditions. The Company has entered, or proposes to enter, into employment agreements with related parties and related parties may also participate in the Company's share-based compensation plans.

The Company considers the executive officers and directors as the key management of the Company. During the

period ended July 31, 2023, the Company paid \$0 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, administrative and contractor fees. 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.

See Note 8 to the condensed interim financial statements for more information.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

We recognize financial assets and liabilities when we become party to the contractual provisions of the instrument. On initial recognition, financial assets and liabilities are measured at fair value plus transaction costs directly attributable to the financial assets and liabilities, except for financial assets or liabilities at fair value through profit and loss, whereby the transactions costs are expensed as incurred. The carrying amounts of our financial instruments approximate fair market value due to the short-term maturity of these instruments. The Company's financial instruments are exposed to certain financial risks, which include credit risk, liquidity risk, currency 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 deposits and receivables. The Company's cash deposits are primarily held with a Canadian chartered bank and receivables 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. The Company manages liquidity risk as part of its overall "Management of Capital" as described below.

Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada incurs expenses are incurred in U.S. dollars ("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 July 31, 2023, the Company is exposed to currency risk through cash, accounts receivable and accounts payable denominated in USD.

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. We believe that interest rate risk is low for our financial assets as the majority of investments are made in highly liquid instruments.

Management of Capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its technologies. The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of equity. The Company's investment policy is to invest its cash in savings accounts or highly liquid short-term deposits with terms of one year or less and which can be liquidated after thirty days without penalty. The Company is not subject to any externally imposed capital requirements. Management believes that the Company has sufficient capital to sustain its operations for the next twelve months.

Fair Values

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. 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 values of cash, receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

See our annual consolidated financial statements for the year ended August 31, 2022, and the related notes thereto for a discussion of the accounting policies and estimates that are critical to the understanding of our business operations and the results of our operations. The policies listed below are areas that may contain key components of our results of operations and are based on complex rules requiring us to make judgments and estimates and consequently, we consider these to be our critical accounting policies. The critical accounting policies which we believe are the most important to aid in fully understanding and evaluating our reported financial results include the following:

- (a) Intangible Assets,
- (b) Impairment of Non-Financial Assets, and
- (c) Revenue Recognition.

Critical Accounting Estimates

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

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

Changes In Accounting Policies

- (a) New standards, interpretations and amendments adopted by the Company

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the consolidated financial statements of the Company.

(b) Standards issued but not yet effective

There are no new standards issued but not yet effective as at February 1, 2023, that have a material impact to the Company's consolidated financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes during the three-month period ended July 31, 2023, in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.