TOGGLE3D.AI INC.

Financial Statements

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

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Toggle3D.ai Inc.

Opinion

We have audited the accompanying financial statements of Toggle3D.ai Inc. (the "Company"), which comprise the statements of financial position as at January 31, 2024, and the statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the period from incorporation on February 14, 2023, to January 31, 2024, and notes to the financial statements, including material accounting policy information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2024, and its financial performance and its cash flows for the period from incorporation on February 14, 2023, to January 31, 2024 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of $6,690,132 during the period ended January 31, 2024. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined that the matter described below to be the key audit matter to communicate in our auditor's report.

Impairment Assessment of Intangible Assets

We draw your attention to Note 6 to the financial statements, which indicates the Company's intangible asset balance was $NIL as at January 31, 2024. The carrying amounts of the Company's intangible assets are reviewed for impairment at each reporting date. If indicators exist, the asset's recoverable amount is estimated. The recoverable amount is the higher of the value in use and the fair value less costs to dispose.

The principal considerations for our determination that the assessment of impairment indicators of the intangible assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the intangible assets, specifically relating to the assets' carrying amount which is impacted by the Company's ability to generate cashflows from these assets. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the intangible assets.

Addressing the matter involved performing procedures and evaluating audit evidence, in connection with forming our overall opinion on the financial statements. These procedures included, among others. evaluating management's assessment of impairment indicators and evaluating the reasonableness of the significant assumptions used by management, including the future cash flows.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Maloff.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

May 24, 2024

TOGGLE3D.AI INC.
Statement of Financial Position
(Expressed in Canadian dollars)

	Note	January 31, 2024
		$
ASSETS		
Current		
Cash and cash equivalents	5	**119,784**
Advances to related party	9	**899,392**
Prepaid expenses		**23,569**
Total assets		**1,042,745**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	7, 9	**70,459**
Total liabilities		**70,459**
SHAREHOLDERS' EQUITY		
Share capital	8	**7,273,301**
Reserves	8(e)(f)	**389,117**
Deficit		**(6,690,132)**
Total shareholders' equity		**972,286**
Total liabilities and shareholders' equity		**1,042,745**

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

Approved and authorized for issue on behalf of the Board of Directors:

/s/ "DirectorName"	*/s/ "DirectorName"*
Director	Director

TOGGLE3D.AI INC.
Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Period from February 14, 2023 (incorporation) to January 31, 2024
		$
Revenue		**1,170**
Operating expenses		
General and administrative	9, 10(a)	**1,018,461**
Interest income		**(38,143)**
Research and development	10(b)	**151,789**
Sales and marketing	10(c)	**124,050**
Share-based compensation	8(f)	**434,412**
Amortization	6	**833,333**
Foreign exchange		**733**
		2,524,635
Other income		
Impairment of intangible assets	6	**4,166,667**
Net loss and comprehensive loss		**(6,690,132)**
Net loss per share		
Basic and diluted		**(0.35)**
Weighted average number of common shares		
Basic and diluted		**19,037,255**

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

TOGGLE3D.AI INC.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Period from February 14 (incorporation) to January 31, 2024
	$
Operating activities	
Net loss for the period	**(6,690,132)**
Adjustments for:	
Amortization	**833,333**
Impairment of intangible assets	**4,166,667**
Share-based compensation	**434,412**
Changes in non-cash working capital:	
Prepaid expenses	**(23,569)**
Accounts payable and accrued liabilities	**70,141**
Cash used in operating activities	**(1,209,148)**
Investing activities	
Cash advanced to related parties	**(899,392)**
Cash used in investing activities	**(899,392)**
Financing activities	
Proceeds from private placement	**2,158,356**
Proceeds from sale of shares for employee pay program	**69,649**
Cash provided by financing activities	**2,228,005**
Effect of foreign exchange on cash	**318**
Change in cash during the period	**119,465**
Cash, beginning of period	**1**
Cash, end of period	**119,784**
Supplemental cash flow information:	
Non-cash investing and financing activities:	
Common shares issued for intangible assets	**5,000,000**

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

TOGGLE3D.AI INC.
Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Common shares	Share capital	Reserves	Deficit	Total shareholders' equity
	#	$	$	$	$
Balance, February 14, 2023 (incorporation)	100	1	-	-	1
Shares issued for purchase of intangible assets	19,999,900	5,000,000	-	-	5,000,000
Units issued in private placement	8,632,473	2,158,356	-	-	2,158,356
Shares issued for employee pay program	337,490	114,944	(45,295)	-	69,649
Share-based compensation	-	-	434,412	-	434,412
Net loss for the period	-	-	-	(6,690,132)	(6,690,132)
Balance, January 31, 2024	**28,969,963**	**7,273,301**	**389,117**	**(6,690,132)**	**972,286**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Toggle3D.ai Inc. ("Toggle3D" or the "Company") develops and operates intellectual property which includes the Toggle3D web application. Toggle3D is a software as a service solution that utilizes generative artificial intelligence to convert computer-aided design files, apply 4K texturing, and enable seamless publishing of 4K 3D models. The Company was incorporated under the Business Corporations Act (Ontario) on February 14, 2023 and is a recent spin out of the parent company, Nextech3D.ai Corporation ("Nextech"), a Metaverse company and provider of augmented reality solutions. Nextech is the parent of the Company as it controls the Board of Directors. The Company's registered and head office is located at PO Box 64039 RPO Royal Bank Plaza, Toronto, Ontario, M5J 2T6.

The Company's shares are traded on the Canadian Securities Exchange (the "CSE") under the trading symbol "TGGL", on the OTCQB Venture Market under the trading symbol "TGGLF", and on the Frankfurt Stock Exchange under the trading symbol "Q0C". The Company began trading on the CSE on June 13, 2023 as a result completion of a spinout from Nextech (the "Plan of Arrangement") as set out below.

Pursuant to the Plan of Arrangement: (i) the certain assets were be transferred to the Company in consideration of the issuance of an aggregate of 15,999,900 Company shares to Nextech; (ii) an aggregate of 4,000,000 Company shares were distributed to the shareholders of Nextech on a pro rata basis. The securities of the Company issuable pursuant to the Plan of Arrangement to Nextech, shareholders of Nextech were issued in reliance upon the prospectus exemption contained in Section 2.11 of National Instrument 45-106.

Immediately following completion of the Plan of Arrangement, shareholders of Nextech who receive shares of the Company will continue to hold an interest in each part of the current business of Nextech through the continued ownership of their Nextech shares and the ownership of Company shares distributed to them.

The completion of the transaction was subject to the satisfaction of various conditions including but not limited to: i) the completion of a concurrent financing of 8,632,473 units comprised of one common share and one common share purchase warrant for gross proceeds of $2,158,356 ($0.25 per unit); and ii) receipt of all requisite regulatory, CSE, court or governmental authorizations and third party approvals or consents.

These financial statements for the period from February 14, 2023 (incorporation) to January 31, 2024 (the "financial statements") have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. During the period from from February 14, 2023 (incorporation) to January 31, 2024, the Company did not generate significant revenues and used cash in operating and investing activities. As at January 31, 2024, the Company has working capital of $972,286 and an accumulated deficit of $6,690,132. For the period from February 14, 2023 (incorporation) to January 31, 2024, the Company incurred a net loss of $6,690,132. 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, which may be material, that may be necessary if the Company is unable to continue as a going concern.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements were approved by the Board of Directors and authorized for issue on May 24, 2024.

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

b) Basis of presentation

The financial statements have been prepared using the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, as specified by IFRS Accounting Standards for each type of asset, liability, income, and expense as set out in the accounting policies below.

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency

The financial statements are presented in Canadian dollars ("CAD"), which is the functional currency of the Company. An entity's functional currency is the currency of the primary economic environment in which an entity operates.

3. MATERIAL ACCOUNTING POLICY INFORMATION

a) Cash and cash equivalents

Cash consists of cash held in reputable financial institutions. Cash equivalents comprises highly liquid financial assets held in reputable financial institutions possessing a maturity of three months or less at the time of issuance that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in fair value.

b) Foreign currency transactions

The Company translates each transaction denominated in a foreign currency by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period, monetary assets and liabilities denominated in a foreign currency are restated using the closing exchange rate at the reporting date, and non-monetary assets and liabilities measured at fair value are translated using the exchange rate at the date when fair value was measured. Exchange differences are recognized in profit or loss for the period in which they arise. However, if fair value changes for a non-monetary item measured at fair value are recognized in other comprehensive income, the exchange difference component of the change in fair value is recognized in other comprehensive income.

c) Intangible assets

Intangible assets consist of platform software from Nextech as a result of the spinout and are recognized and measured at cost less accumulated amortization. The Company amortizes intangible assets over three years.

d) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets such as intangible 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 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.

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 comprehensive loss. 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.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that impairment may have reversed. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

e) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL") and amortized cost.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Company determines the classification of its financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Financial liabilities are classified as amortized cost, unless they are required to be classified as FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to classify them at FVTPL.

Measurement

Financial instruments 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 profit or loss, 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.

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 will 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.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

f) Share-based payments

The Company grants stock options to purchase common shares of the Company 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 reserves, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve is credited to share capital, adjusted for any consideration paid.

g) Employee pay program

On July 26, 2023, the Company introduced an employee pay program for the purpose of maintaining a sustainable cash position by allowing the Company to pay for services through the issuance and sale of the Company's common shares. Under this program, the Company issues warrants with a specified exercise price to its contractors. The warrants convert to common shares pursuant to services being completed by contractors. Subsequently, a third-party program administrator completes the sale of the common shares, and the proceeds are used to facilitate cash disbursements in connection with contractor services rendered. The contractors are guaranteed an amount equal to the greater of (i) value of the common shares measured at their exercise price (the "cost of shares") and (ii) the proceeds from the sale of the common shares.

The Company recognizes expenses as contractors render services, with the offset recorded within accounts payable and accrued liabilities at an amount equal to the cost of shares. When the Company completes the sale of the common shares, it records an increase in share capital at the fair value of the shares. In cases where the common shares are sold below their cost, the Company compensates contractors for the shortfall.

h) Valuation of equity units issued in private placements

The Company follows the residual method with respect to the measurement of common shares and common share purchase warrants issued as private placement units. Proceeds from private placements are first allocated to the common shares contained in the units based on the market value of shares on the date of issuance, with any residual amount allocated to warrants in the units. If the proceeds are less than or equal to the estimated fair market value of the share issuance, total proceeds are allocated to the fair value of the common shares and nothing is allocated to the fair value of the warrants. The fair value of common shares is recorded in share capital and the fair value of warrants is recorded in reserves. Consideration received on the exercise of warrants is recorded as share capital, and the amount previously recognized in reserves is transferred to share capital. For warrants that expire unexercised, the initial fair value recorded remains in reserves.

Share issuance costs may consist of professional, consulting, regulatory, and other costs directly attributable to equity transactions. Share issuance costs are recorded as a reduction to share capital.

i) Revenue

The Company recognizes revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*. Revenue represents the fair value on consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from the sale of software licenses and technology services.

j) 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.

k) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the profit or loss. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

l) New accounting standards and interpretations adopted

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

<u>Disclosure of accounting policies - amendments to IAS 1 and IFRS Practice Statement 2</u>

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

<u>Definition of accounting estimates - amendments to IAS 8</u>

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company’s financial statements and applying its accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these judgments, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The judgements, key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

a) Determination of functional currency

The functional currency for the Company is the currency of the primary economic environment in which each entity operates. Determination of functional currency involves certain judgements to determine the primary economic environment of an entity. The Company reassesses the functional currency of an entity when there is a change in events and conditions which previously determined the primary economic environment of an entity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

b) Review of asset carrying values and impairment assessment

The assessment of the fair value of intangible assets requires the use of estimates and assumptions for recoverable service costs, customer demands, discount rates, foreign exchange rates, future capital requirements, and operating performance. Changes in any of the estimates or assumptions used in determining the fair values could impact the impairment analysis.

Each asset or CGU is evaluated every reporting period to determine whether there are any indicators of impairment. If any such indicators exist, which is often judgment-based, a formal estimate of the recoverable amount is performed, and an impairment charge is recognized to the extent that the carrying amount exceeds the recoverable amount.

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, technological obsolescence, competitive landscape, regulatory changes as well as operation budgets and forecasts.

The determination of fair value less costs to sell and value in use requires management to make estimates and assumptions about expected production, sales contract volumes, service costs and contract prices, discount rates, operating costs, taxes, and future capital expenditures. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the assets may be further impaired or the impairment charge reversed with the impact recorded in profit or loss.

c) Share-based payments

Management is required to make a number of estimates when determining the fair value of the stock options and share-based compensation to be recognized each reporting period. These estimates include assumptions about volatility of share price, risk-free rate and expected life of the instruments.

d) Research and development costs

Research costs are expensed as incurred, while development costs are potentially eligible for capitalization as intangible assets if specific conditions outlined in IAS 38 *Intangible Assets* are met. Management is required to exercise judgment in determining whether development costs qualify for capitalization.

5. CASH AND CASH EQUIVALENTS

As at January 31, 2024, in connection with the share-based employee pay program the Company had cash held in a trust account of $3,650. The cash does not earn interest and is used to pay for consultant fees.

(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

A summary of the Company's intangible assets is as follows:

	$
Cost	
Balance, February 14, 2023 (incorporation)	-
Additions	5,000,000
Balance, January 31, 2024	**5,000,000**
Accumulated amortization	
Balance, February 14, 2023 (incorporation)	-
Amortization	833,333
Impairment	4,166,667
Balance, January 31, 2024	**5,000,000**
Carrying amounts	
Balance, January 31, 2024	**-**

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 with a fair value of $5,000,000 in exchange for the issuance of 19,999,900 common shares of the Company (note 8(c)).

During the period ended January 31, 2024, the Company identified impairment indicators and, subsequently, estimated the recoverable amount of its intangible assets, as such it has recognized an impairment loss of $4,166,667.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A summary of the Company's accounts payable and accrued liabilities is as follows:

	January 31, 2024
	$
Accounts payable	**59,948**
Accrued liabilities	**10,511**
	70,459

8. SHARE CAPITAL

a) Authorized

The Company is authorized to issue unlimited number of common shares with no par value.

b) Issued and Outstanding

As at January 31, 2024, 28,969,963 common shares were issued and outstanding.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

c) Share issuances

During the period from February 14, 2023 (incorporation) to January 31, 2024, the Company had the following share capital transactions:

- On February 14, 2023, upon incorporation, the Company issued 100 common shares for gross proceeds of $1.
- On June 13, 2023, the Company issued 19,999,900 common shares in exchange for intangible assets with a fair value of $5,000,000 (Note 6).
- On June 13, 2023, the Company closed a private placement related to the spinout of the Company from Nextech in which the Company issued 8,632,473 units for gross proceeds of $2,158,356. Each warrant is exercisable into one common share at an exercise price of $0.50 until June 13, 2026. Applying the residual method, the proceeds were fully allocated to share capital.
- The Company issued 337,490 common shares upon the exercise of 337,490 warrants related to the employee pay program. Of the common shares issued, 259,489 common shares, with a share price between $0.12 and $1.10, were sold for cash proceeds of $69,649.

d) Employee pay program

During the period from February 14, 2023 (incorporation) to January 31, 2024, as part of the employee pay program, the Company granted 737,550 warrants to its contractors. Each warrant has an exercise price of $1.00 and is exercisable into one common share until July 26, 2024. As at January 31, 2024, 337,490 warrants have been exercised into common shares, of which 86,000 common shares remained unsold.

e) Warrants

A summary of the Company's warrants activity is as follows:

	Number of warrants	Weighted average exercise price
	#	$
Balance, February 14, 2023	-	-
Granted	9,370,023	0.54
Exercised	(337,490)	1.00
Balance, January 31, 2024	**9,032,533**	**0.52**

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

Date of expiry	Number	Weighted average exercise price	Weighted average remaining life
	#	$	Years
July 26, 2024	400,060	1.00	0.48
June 13, 2026	8,632,473	0.50	2.37
Balance, January 31, 2024	**9,032,533**	**0.52**	**2.28**

The weighted average share price on the date of exercise for warrants exercised during the period ended January 31, 2024 was $0.52.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

f) Options

A summary of the Company's stock option activity is as follows:

	Number of stock options	Weighted average exercise price
	#	$
Balance, February 14, 2023	-	-
Granted	2,100,000	1.07
Forfeited	(720,000)	1.04
Balance, January 31, 2024	**1,380,000**	**1.09**

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

Date of expiry	Number of stock options outstanding	Number of stock options exercisable	Weighted average exercise price	Weighted average remaining life
	#	#	$	Years
July 5, 2026	276,000	1,380,000	1.09	2.43
Balance, January 31, 2024	**276,000**	**1,380,000**	**1.09**	**2.43**

During the period ended January 31, 2024, the Company granted 2,100,000 options to its employees as share-based compensation. These options vest in five equal tranches, with the first tranche vesting six months after the grant date.

The fair value of all options granted is estimated on the grant date using the Black-Scholes option pricing model. The weighted average fair value of options granted during the period ended January 31, 2024 was $0.63.

During the period from February 14, 2023 (incorporation) to January 31, 2024, the Company's share-based compensation expense was $434,412.

A summary of the Company's weighted average inputs used in the Black-Scholes option pricing model for stock options granted during the period from February 14, 2023 (incorporation) to January 31, 2024 is as follows:

Share price	**$1.01**
Exercise price	**$1.08**
Expected life	**3 years**
Risk-free interest rate	**3.91%**
Expected volatility	**100.00%**
Expected annual dividend yield	**0.00%**

9. RELATED PARTY TRANSACTIONS

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

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

	Period from February 14, 2023 (incorporation) to January 31, 2024
	$
Management fees included in general and administrative	**917,361**

(Expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS (continued)

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

During the period from February 14, 2023 (incorporation) to January 31, 2024, the Company paid $876,667 in relation to the management agreement with Nextech. During the period from February 14, 2023 (incorporation) to January 31, 2024, the Company paid $40,694 in management fees to the Chief Executive Officer.

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

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

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

10. EXPENSE BY NATURE

a) General and administrative

A summary of the Company's general and administrative expenses for the period from February 14, 2023 (incorporation) to January 31, 2024 is as follows:

	2024
	$
Compliance fees	**43,874**
Computer, software, and maintenance	**902**
Management fees (Note 9)	**917,361**
Office, general, and other expenses	**10,066**
Professional and legal fees	**46,258**
	1,018,461

b) Research and development

A summary of the Company's research and development expenses for the period from February 14, 2023 (incorporation) to January 31, 2024 is as follows:

	2024
	$
Consultant fees	**116,129**
Computer, software, and maintenance	**35,660**
	151,789

10. EXPENSE BY NATURE (continued)

c) Sales and marketing

A summary of the Company's sales and marketing expenses for the period from February 14, 2023 (incorporation) to January 31, 2024 is as follows:

	2024
	$
Advertising	42,591
Computer, software, and maintenance	23,981
Investor relations	57,478
	124,050

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

a) Credit risk

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

b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's main source of cash resources is through equity financing. The Company is exposed to liquidity risk through its accounts payable and accrued liabilities and advances from related party. The Company's financial obligations are limited to its current liabilities which have contractual maturities or are repayable on demand.

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

c) Foreign currency risk

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

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Company believes that interest rate risk is low as there is no financial asset or liability that has variable interest rate.

12. INCOME TAX EXPENSE

a) Income tax recovery

A summary of the Company's reconciliation of income tax recovery and accounting net loss multiplied by statutory rates for the period from February 14, 2023 (incorporation) to January 31, 2024 is as follows:

	$
Accounting net loss before income tax	**(6,690,132)**
Combined federal and provincial statutory income tax rates	**27%**
Expected income tax recovery	**(1,772,885)**
Deferred tax adjustment	**115,119**
Others	**1,657,766**
Income tax recovery	**-**

b) Deferred income tax

A summary of the Company's significant components of deferred income tax is as follows:

	January 31, 2024
	$
Deferred income tax asset:	
Intangible assets	**1,258,750**
Non-capital losses	**399,016**
	1,657,766
Unrecognized deferred income tax asset	**(1,657,766)**

A summary of the Company's temporary differences are as follows:

	January 31, 2024	**Year of expiry**
	$	
Intangible assets	**4,750,000**	**No expiry**
Non-capital losses	**1,505,721**	**2044**
	6,255,721	

13. CAPITAL MANAGEMENT

The Company's definition of capital includes equity comprising share capital, reserves, and deficit. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As at January 31, 2024, the Company had shareholders' equity of $972,286.

The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business. The Company obtains funding primarily through equity issuances. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company.

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

14. SUBSEQUENT EVENTS

On March 12, 2024, as part of the employee pay program, the Company granted 1,000,000 warrants to its contractors. Each warrant has an exercise price of $0.46.

On March 12, 2024, the Company issued 200,000 common shares to two officers as compensation for their employment services.

From February 20, 2024 to May 10, 2024, the Company has issued 1,018,192 common shares upon the exercise of warrants related to the employee pay program.