TUT FITNESS GROUP INC.

(FORMERLY AAJ CAPITAL 2 CORP.)

Condensed Interim Consolidated Financial Statements

For the six months ended August 31, 2021 and 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity's auditors.

November 1, 2021

TUT FITNESS GROUP INC.
(FORMERLY AAJ CAPITAL 2 CORP.)

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars - Unaudited)

	Notes	**August 31, 2021**	February 28, 2021
		(unaudited)	(audited)
Assets			
Current assets:			
Cash	4	**$ 3,141,721**	$ 838,549
Investment	5	–	140,750
Interest Receivable		**522**	–
Prepaid expenses		**1,820**	4,550
		3,144,063	983,849
Non-current assets:			
Deferred Charges		**99,535**	–
		$ 3,243,598	$ 983,849
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payables and accrued liabilities	7	**$ 59,099**	$ 21,078
Due to related parties	10	–	19,420
Subscription receipts	8,13	**3,072,405**	818,800
		3,131,504	859,298
Shareholders' equity:			
Share capital	9	**353,450**	313,584
Reserves	9	**47,690**	62,556
Deficit		**(289,046)**	(251,589)
		112,094	124,551
		$ 3,243,598	$ 983,849

Nature and continuance of operations (Note 1)
Subsequent event (Note 13)

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

TUT FITNESS GROUP INC.
(FORMERLY AAJ CAPITAL 2 CORP.)

Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars - Unaudited)

		Share capital								
	Note	Shares		Amount		Reserves		Deficit		Total Equity
Balance, February 29, 2020		**5,150,000**	**$**	**313,584**	**$**	**62,556**	**$**	**(142,069)**	**$**	**234,071**
Net loss for the period		–		–		–		(18,897)		(18,897)
Balance, August 31, 2020		**5,150,000**		**313,584**		**62,556**		**(160,966)**		**215,174**
Net loss for the period		–		–		–		(90,623)		(90,623)
Balance, February 28, 2021		**5,150,000**		**313,584**		**62,556**		**(251,589)**		**124,551**
Exercise of agent's warrants	9(b)	250,000		39,866		(14,866)		–		25,000
Net loss for the period		–		–		–		(37,457)		(37,457)
Balance, August 31, 2021		**5,400,000**	**$**	**353,450**	**$**	**47,690**	**$**	**(289,046)**	**$**	**112,094**

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

TUT FITNESS GROUP INC.
(FORMERLY AAJ CAPITAL 2 CORP.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Notes		Three months ended August 31,				Six months ended August 31,		
			2021		2020		**2021**		2020
Expenses:									
Administrative fees	10	**$**	**4,725**	$	4,725	**$**	**9,450**	$	9,450
Office and miscellaneous			**446**		385		**4,174**		799
Professional fees			**7,170**		3,034		**12,109**		3,034
Regulatory fees			**9,707**		3,144		**11,072**		5,419
Transfer agent fees			**1,857**		930		**2,805**		1,773
			(23,905)		(12,218)		**(39,610)**		(20,475)
Interest income	5		**1,572**		1,398		**2,153**		1,578
Net and comprehensive loss		**$**	**(22,333)**	$	(10,820)	**$**	**(37,457)**	$	(18,897)
Loss per common share - basic and diluted		**$**	**(0.01)**	$	(0.00)	**$**	**(0.01)**	$	(0.00)
Weighted average number of common shares outstanding, excluding escrow shares - basic and diluted			**2,503,533**		2,500,000		**2,501,766**		2,500,000

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

TUT FITNESS GROUP INC.
(FORMERLY AAJ CAPITAL 2 CORP.)

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Notes		Six months ended August 31, **2021**		2020
Cash provided by (used in):					
Operating activities					
Net loss for the period		**$**	**(37,457)**	$	(18,897)
Accrued interest	5		**(771)**		(1,578)
			(38,228)		(20,475)
Changes in non-cash working capital:					
Prepaid expenses			**2,730**		(1,181)
Trade payables and accrued liabilities			**38,020**		(7,884)
Due to related parties	10		**(19,420)**		–
			(16,898)		(29,540)
Investing activities					
Note receivable	6		**–**		(25,000)
Redemption of investment	5		**141,000**		20,855
Deferred Charges			**(99,535)**		–
			41,465		(4,145)
Financing activities					
Subscription receipts	8		**2,253,605**		–
Issuance of common shares, net			**25,000**		–
			2,278,605		–
Change in cash			**2,303,172**		(33,685)
Cash, beginning of period			**838,549**		44,979
Cash, ending of period		**$**	**3,141,721**	$	11,294

Supplemental Cash Flow Information:

During the six months ended August 31, 2021, the Company recorded an allocation of $14,866 from reserves to share capital upon the exercise of agents warrants (Note 9(b));

During the six months ended August 31, 2020, there were no significant non-cash transactions.

The accompanying notes form an integral part of these condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

TUT Fitness Group Inc. (formerly AAJ Capital 2 Corp.) (the "Company") was incorporated under the laws of the Province of British Columbia on January 28, 2019. The Company was a Capital Pool Company ("CPC") as its principal business was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT") in accordance with Policy 2.4 of the TSX Venture Exchange ("Exchange").

On April 28, 2021, the Company incorporated a wholly owned subsidiary, 1302612 B.C. Ltd ("130BC") in connection with the QT (Note 13). 130BC was inactive during the period ended August 31, 2021.

On September 29, 2021, the Company completed its QT with TUT Fitness Group Limited ("TUT"), whereby the Company acquired 100% of TUT by way of a business combination. TUT is a British Columbia based fitness company that have designed, developed, and manufactured a high-performance gym (Note 13).

The acquisition constitutes as its qualifying transaction, as such term is defined in the Policy 2.4, Capital Pool Companies, of the Exchange. The Company, upon completion of the acquisition, changed its name to TUT Fitness Group Inc. and will continue the business of TUT. On October 6, 2021, the Company commenced trading under its new symbol "GYM".

The Company's head office and principal address is Suite 2050 -1055 W. Georgia Street, Vancouver BC, V6E 3P3. The registered and records office is 400 -725 Granville Street, Vancouver BC V7Y 1G5.

These 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. There are material uncertainties that may cast significant doubt about the appropriateness of the going concern assumption as the Company has not generated any revenues. While the Company had positive working capital of $12,559 at August 31, 2021 (February 28, 2021 - $124,551), it has an accumulated deficit of $289,046 on this date (February 28, 2021 - $251,589). These financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements were authorized for issue on November 1, 2021 by the directors of the Company.

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's annual financial statements for the year ended February 28, 2021. It is therefore recommended that these interim financial statements be read in conjunction with the Company's audited financial statements for the year ended February 28, 2021.

Basis of presentation

The condensed interim consolidated financial statements of the Company have been prepared on an accrual basis, except for cash flow information and are based on historical costs, modified where applicable. These financial statements are presented in Canadian dollars unless otherwise noted.

These condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in business.

Significant judgments, estimates, and assumptions

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Receivables An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES

Share capital

Common shares issued for non-monetary consideration are recorded at their fair value on the measurement date and classified as equity. The measurement date is defined as the earliest of the date at which the commitment for performance by the counterparty to earn the common shares is reached or the date at which the counterparty's performance is complete.

Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from share capital, net of any tax effects.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of 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. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments *(Cont'd)*

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net (loss) income in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (loss) ("OCI"). On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) 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 the statements of net (loss) income, 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.

(iv) De-recognition

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.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are generally recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments *(Cont'd)*

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets	
Cash	FVTPL
Investment	FVTPL
Financial liabilities	
Trade payables	Amortized cost
Due to related parties	Amortized cost
Subscription receipts	Amortized cost

The Company's financial instruments at fair value at August 31, 2021 are as follows:

	Level 1	*Level 2*	*Level 3*
Financial assets			
Cash	$ 3,141,721	$ –	$ –

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.
iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash deposits and investments have been measured at fair value using Level 1 inputs. The carrying value of trade payables, due to related parties, and subscription receipts approximate their fair value because of the short-term nature of these instruments or their ability of prompt liquidation.

Recent accounting pronouncements

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

(Expressed in Canadian Dollars - Unaudited)

4. CASH

		August 31, 2021		February 28, 2021
Cash in bank	$	67,935	$	19,719
Cash held in trust (Note 8)		3,073,786		818,830
	$	3,141,721	$	838,549

During the six months ended August 31, 2021, the Company accrued interest of $522 (2020 - $Nil) on the cash held in trust, which has been included in the trust balance.

5. INVESTMENT

On November 25, 2019, the Company invested $200,000 in a highly liquid Canadian dollar denominated redeemable guaranteed investment certificate ("GIC") yielding a variable interest rate per annum with a maturity date within one year. The Company reinvested $180,000 for another year after the maturity date in 2020. The investment is classified as a FVTPL financial asset. The counter-party is a financial institution.

At August 31, 2021, all of the Company's GIC investments matured and no reinvestment had been made compared to holding $140,000 and accrued interest of $750 at February 28, 2021.

During the six months ended August 31, 2021, the Company redeemed $140,000 (2020 - $20,000) of its GIC investments and received an aggregate interest of $1,000 (2020 - $837) from the redemption or maturity of the GIC investments.

As at August 31, 2021, the Company held $Nil (February 28, 2021 - $140,750) in the GIC investment including accrued interest.

6. NOTE RECEIVABLE

On May 20, 2020, the Company loaned PropGo $25,000 for working capital purposes with a maturity date of March 1, 2021. The loan carries an annual interest rate of approximately 15.37% and is collateralized by shares in PropGo. During the year ended February 28, 2021, the Company accrued interest income of $2,042 on the note.

On September 29, 2020, the note receivable was restructured as a convertible note. Under the amended terms, the Company may convert the loan into equity of Propgo under the following conditions:

i) If Propgo completes a reverse takeover ("RTO") transaction, the Company will convert the principal of the loan in accordance to the RTO terms with a 60% premium; or

ii) If Propgo does not complete its RTO, the Company will convert the principal of the loan in accordance to Propgo's pre-RTO terms with a 50% premium.

No interest will be paid under the new terms of convertible note.

During the year ended February 28, 2021, management determined the note to be uncollectible and impaired the note plus accrued interest totalling $27,042.

(Expressed in Canadian Dollars - Unaudited)

7. TRADE PAYABLES AND ACRUED LIABILITIES

		August 31, 2021		February 28, 2021
Trade payables	$	51,099	$	3,278
Accrued liabilities		8,000		17,800
	$	59,099	$	21,078

8. SUBSCRIPTION RECEIPTS

In connection to the proposed QT (Note 12), the Company completed a non-brokered concurrent private placement of 6,144,810 subscription receipts at a price of $0.50 per subscription receipt for gross proceeds of $3,072,405 ("Subscription Receipt Financing"). The pricing of the Subscription Receipt Financing assumes a 2:1 consolidation of the Company's outstanding securities in conjunction with the Transaction. At closing of the QT, the subscription receipts were automatically convert into units of the Resulting Issuer, being one common share and one share purchase warrant exercisable for two years at $1.00 per warrant. The Company listed these warrants for trading on the Exchange.

On closing of the Subscription Receipt Financing, the proceeds of the Subscription Receipt Financing, finders' cash payment and finder's warrants were subject to escrow and were held by a subscription receipt agent. The proceeds were released on receipt of the Company's and TUT's confirmation on satisfaction of all conditions precedent to the QT including receipt of all necessary shareholder approvals and receipt of the Exchange's conditional approval of the QT ("Escrow Release").

9. SHARE CAPITAL

a. *Authorized*

Unlimited number of common shares without par value.

b. *Issued and outstanding*

During the six months ended August 31, 2021, the Company issued 250,000 common shares on the exercise of 250,000 agents' warrants for total gross proceeds of $25,000. In addition, a reallocation of $14,866 from reserves to capital stock was recorded on the exercise of these warrants. This amount constitutes the fair value of the warrants recorded at the grant or repriced date.

There were no transactions affecting share capital during the year ended February 28, 2021.

c. *Escrow shares*

Upon completion of the Company's listing on the Exchange and pursuant to an escrow agreement dated May 27, 2019, 2,650,000 common shares issued to directors and officers of the Company prior to the listing were placed into an escrow. Under the escrow agreement, 10% of the escrowed common shares will be released from escrow on the date of the issuance of the final Exchange bulletin (the "Initial Release") upon completion of a QT, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months. As at August 31, 2021 2,650,000 (February 28, 2021 – 2,650,000) common shares remained in escrow. These shares have been excluded from the calculation of loss per share.

(Expressed in Canadian Dollars - Unaudited)

9. SHARE CAPITAL (Cont'd)

d. *Stock options*

The Company has adopted an incentive stock option plan (the "Equity Incentive Plan") (approved on February 28, 2019), which provides that the board of directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of the grant. Such options will be exercisable for a period of up to five years from the date of grant. Under the Equity Incentive Plan, options are required to have an exercise price not less than the closing market price of the Company's shares prevailing on the day that the option is granted less applicable discount, if any, permitted by the policies of the Exchange. Pursuant to the Equity Incentive Plan, the board of directors of the Company may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries.

The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or an aggregate maximum of 2% if the optionee is engaged in investor relations activities or if the optionee is a consultant, no more than 2% per consultant. The Equity Incentive Plan contains no vesting requirements other than those that will apply to options granted to investor relations service providers, but permits the board of directors of the Company to specify a vesting schedule in its discretion.

There were no stock options granted by the Company during the six months end August 31, 2021 and 2020.

As at August 31, 2021, the following stock options were outstanding:

	Expiry Date	Number of Shares	Weighted Average Exercise Price	Weighted average remaining life
Options	August 22, 2024	515,000	$0.10	2.98 years

e. *Agent's' warrants*

In connection to the Company's IPO, 250,000 non-transferable Agent's Warrants were issued to the Agent involved in the offering. The Agent's Warrants are exercisable at a price of $0.10 per share for a period of two years from the date of the listing of the Company's shares on the Exchange, being August 22, 2019. Pursuant to the Exchange Policy 2.4, the Agents agree that only 50% of the common shares obtained by the Agent pursuant to the exercise of the Agent's Warrants may be sold prior to the completion of a QT, and the remaining balance may only be sold after completion of the QT.

During the six months ended August 31, 2021, the Company issued 250,000 common shares on the exercise of 250,000 agents' warrants for total gross proceeds of $25,000 (Note 9(b)).

As at August 31, 2021, no agent's warrants (2020 – 250,000) were outstanding.

10. RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers.

On February 1, 2019, the Company entered into a rent and administrative services agreement with Varshney Capital Corp. ("VCC"), a company with a director in common, for office rent and administrative services provided to the Company on a month to month basis in exchange for a monthly fee of $1,500 plus taxes.

During the six months ended August 31, 2021, the Company paid or accrued $9,450 (2020 - $9,450) for rent and administrative fees to VCC.

As at August 31, 2021, $Nil (February 28, 2021 - $19,420) was due to a director of the Company for reimbursement of legal and transfer agent fees paid on behalf of the Company.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consists of cash, investments, trades payables, due to related parties and subscription receipts. These financial instruments are exposed to certain risks summarized below:

Credit risk
Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk. The Company's cash and investment is held in an account with a major Canadian financial institution. The funds may be withdrawn at any time without penalty.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and seeking equity financing when needed. As at August 31, 2021, the Company had cash on hand of $3,141,721 (February 28, 2021 - $838,549), prepaid expenses of $1,820 (February 28, 2021 - $4,550), and GIC investment of $Nil (February 28, 2021 - $140,750), which is sufficient to settle its current liabilities of $3,131,504 (February 28, 2021 - $859,298).

Pursuant to the policies of the Exchange, the proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or for administrative and general expenses. These restrictions apply until completion of the Company's Qualifying Transaction as defined by Exchange Policy 2.4.

Effective January 1, 2021, the Exchange amended its Policy 2.4. Under the amended policy, a CPC may only incur expenses to operate its business to identify and evaluate assets or business for a proposed QT; reasonable expenses related to the CPC's IPO and prescribed costs of issuing the common shares and maintaining the CPC's regulatory requirements; and reasonable general and administrative expenses of the CPC not exceeding $3,000 per month.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

(a) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest rate risk as its GIC investment earns interest income at variable rates.

(b) Foreign currency risk
The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk

(c) Price risk
The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potentially adverse impact on the Company's ability to obtain equity financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

12. CAPITAL MANAGEMENT

The Company is actively engaged in completing its QT with the TUT Fitness Group and this involves a high degree of risk. The Company has not determined whether it will be successful in its endeavours and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of common shares. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

13. SUBSEQUENT EVENTS

The Company, TUT and 130BC entered into an amalgamation agreement (the "Amalgamation Agreement") dated April 30, 2021, whereby the parties agreed to complete an amalgamation. The Company also entered into a share exchange agreement (the "Share Exchange Agreement") on April 30, 2021 with 119BC and the shareholders of 119BC to acquire all of the issued and outstanding shares of 119BC in exchange for Common Shares of the Company (Note 1). The Transaction was closed on September 29, 2021 and, pursuant to the Amalgamation Agreement and Share Exchange Agreement, shareholders of TUT became shareholders of the Company, resulting in the issuance of an aggregate of 21,870,651 Common Shares in the capital of the Company at a deemed price of $0.50 per Common Share.

Immediately prior to closing the Transaction, the Company undertook a share consolidation, issuing shareholders one new Common Share for each two old Common Shares. Following the share consolidation, completion of the Transaction and conversion of the subscription receipts under the Concurrent Financing, the Company's issued and outstanding share capital consists of 30,715,461 Common Shares.

13. SUBSEQUENT EVENTS

Upon completion of the Transaction, the Company completed a name change from "AAJ Capital 2 Corp." to "TUT Fitness Group Inc.". The combined entity (the "Resulting Issuer") will continue the business of the TUT as a Tier 2 "technology" issuer on the Exchange.

The Concurrent Financing

The Company closed a non-brokered private placement of 6,144,810 subscription receipts on May 11, 2021 for aggregate gross proceeds of $3,072,405 (the "Concurrent Financing"). The gross proceeds of the Concurrent Financing were held in escrow pending satisfaction of certain release conditions. The escrow release conditions were satisfied on September 29, 2021 and proceeds of the financing were released to the Company (the "Escrow Release").

Upon Escrow Release, each subscription receipt was automatically converted into one Common Share and one Common Share purchase warrant of the Company (a "Warrant"), with each Warrant exercisable at a price of $1.00 for a period of 24 months from Escrow Release. Participants in the Concurrent Financing received an aggregate of 6,144,810 Common Shares and 6,144,810 Warrants.

The subscription receipts issued in the Concurrent Financing were issued subject to a four month hold period which expired on September 12, 2021. The Common Shares and Warrants issued upon conversion of the subscription receipts are not subject to a hold period.

Finder's fees were paid to six finders in connection with the Concurrent Financing. An aggregate of $85,400 was paid in cash and 170,800 finder's warrants (the "Finder's Warrants") were issued to the finders following Escrow Release. Each Finder's Warrant is non-transferrable and is exercisable to purchase one Common Share at a price of $0.50 for a period of one year from Escrow Release.

The Finder's Warrants are subject to a hold period expiring on January 30, 2022.

Escrow Provisions

An aggregate of 10,350,000 Common Shares issued to the former shareholders of TUT are subject to escrow in accordance with a Tier 2 Value Security escrow agreement. In addition, an aggregate of 1,325,000 Common Shares held by principals and former principals of the Company prior to completion of the Transaction remain subject to escrow under a CPC escrow agreement in accordance with the CPC Policy.

Of the Common Shares of the Company issued to the former shareholders of TUT pursuant to the Transaction, an aggregate of 17,000,000 Common Shares are subject to a voluntary pooling agreement restricting their transfer other than in accordance with a staggered release schedule over a five year period (the "5 Year Pooling Agreement"), and a further 4,470,301 Common Shares are subject to a voluntary pooling agreement restricting their transfer other than in accordance with a staggered release schedule over a nine month period.