

CULLINAN METALS CORP.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cullinan Metals Corp.

Opinion

We have audited the accompanying financial statements of Cullinan Metals Corp. (the "Company"), which comprise the statement of financial position as at June 30, 2022, and the statements of loss and comprehensive loss, changes in equity, and cash flows for the year ended June 30, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022, and its financial performance and its cash flows for the year ended June 30, 2022 in accordance with International Financial Reporting Standards ("IFRS").

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 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.

Other Matters

The financial statements of Cullinan Metals Corp. for the period from incorporation on January 29, 2021 to June 30, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on January 21, 2022.

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, 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.

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

A handwritten signature in black ink that reads "Davidson & Coysany LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 6, 2022

CULLINAN METALS CORP.

Statements of Financial Position

As at June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Notes	2022	2021
		\$	\$
Assets			
Current			
Cash		173,284	259,770
GST and other receivable		12,741	-
Prepaid expenses		30,000	-
		216,025	259,770
Exploration and evaluation assets	4	70,000	25,000
Total assets		286,025	284,770
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	39,055	11,085
Shareholders' equity			
Share capital	6	522,473	300,000
Reserves	6	101,939	-
Deficit		(377,442)	(26,315)
Total equity		246,970	273,685
Total liabilities and equity		286,025	284,770
Nature of operations and going concern	1		
Subsequent events	12, 6(b)(iii)		

Approved on behalf of the Board of Directors:

(Signed) "Richard Ko"

Director

(Signed) "Peter Born"

Director

The accompanying notes are an integral part of these financial statements

CULLINAN METALS CORP.

Statements of Loss and Comprehensive Loss

For the year ended June 30, 2022 and for the period January 29, 2021 (Date of Incorporation) to June 30, 2021

(Expressed in Canadian dollars)

	Notes	2022	2021
		\$	\$
Expenses			
Consulting fees		14,850	10,170
General and administration		13,760	-
Investor relations		5,000	-
Management fees	7(a)	36,481	2,500
Professional fees	7(a)	70,209	13,645
Regulatory and transfer agent fees		76,371	-
Share-based compensation	6, 7(a)	126,415	-
Travel		8,041	-
Loss and comprehensive loss		351,127	26,315
Loss per share - basic and diluted		\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding		17,347,317	2,302,633

The accompanying notes are an integral part of these financial statements

CULLINAN METALS CORP.

Statement of Changes in Equity

For the year ended June 30, 2022 and for the period January 29, 2021 (Date of Incorporation) to June 30, 2021

(Expressed in Canadian dollars)

	Notes	Number of shares #	Share capital \$	Reserves \$	Deficit \$	Total \$
Balance, June 30, 2021		15,000,002	300,000	-	(26,315)	273,685
Shares issued for equity financing	6	5,570,000	278,500	-	-	278,500
Share issuance costs	6	-	(134,603)	-	-	(134,603)
Shares issued for exploration and evaluation assets	4,6	400,000	20,000	-	-	20,000
Exercise of options	6	620,000	58,576	(24,476)	-	34,100
Share-based compensation	6	-	-	126,415	-	126,415
Loss for the year		-	-	-	(351,127)	(351,127)
Balance, June 30, 2022		21,590,002	522,473	101,939	(377,442)	246,970
Balance as at January 29, 2021		2	-	-	-	-
Shares issued for equity financing	6	15,000,000	300,000	-	-	300,000
Loss for the year		-	-	-	(26,315)	(26,315)
Balance, June 30, 2021		15,000,002	300,000	-	(26,315)	273,685

The accompanying notes are an integral part of these financial statements

CULLINAN METALS CORP.

Statements of Cash Flow

For the year ended June 30, 2022 and for the period January 29, 2021 (Date of Incorporation) to June 30, 2021

(Expressed in Canadian dollars)

	Notes	2022	2021
		\$	\$
Operating activities			
Loss for the year		(351,127)	(26,315)
Items not affecting cash			
Share-based compensation		126,415	-
Changes in non-cash working capital items			
GST and other receivable		(9,441)	-
Prepaid expenses		(30,000)	-
Accounts payable and accrued liabilities		27,970	11,085
		(236,183)	(15,230)
Investing activities			
Exploration and evaluation assets		(25,000)	(25,000)
Financing activities			
Shares issued for cash, net of share issuance costs		174,697	300,000
(Decrease) increase in cash		(86,486)	259,770
Cash, beginning of year		259,770	-
Cash, end of year		173,284	259,770
Non-cash transactions			
Shares issued for exploration and evaluation assets	4	20,000	-
Supplemental cash flow information			
Cash paid for interest		-	-
Cash paid for taxes		-	-

The accompanying notes are an integral part of these financial statements

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

(a) Nature of operations

Cullinan Metals Corp. (the "Company") was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on January 29, 2021. The Company is currently in the exploration stage of developing its exploration and evaluation properties and has not yet determined whether they contain mineral reserves that are economically recoverable.

On February 17, 2022, the Company completed its Initial Public Offering ("IPO"), in connection with its listing on the Canadian Securities Exchange (the "Exchange"). The common shares of the Company effectively commenced trading on the Exchange on March 9, 2022 under the symbol "CMT".

The address of the Company's registered office is 2200 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

(b) Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

For the year ended June 30, 2022, the Company had not commenced exploration activities, had no profits, had an accumulated deficit of \$377,442 (2021 - \$26,315) and expects to incur losses until it successfully develops its business. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities, its ability to attain profitable operations and generate funds therefrom and raise equity capital or borrowings sufficient to meet current and future obligations. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

These factors indicate the existence of material uncertainties that may cast significant doubt regarding the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not include any adjustments to amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

2. Basis of Presentation and Measurement

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at their fair value. In addition, the financial statements have been prepared using the accrual basis of accounting. The financial statements are presented in Canadian dollars unless otherwise noted. The functional and presentation currency of the Company is the Canadian dollar.

On April 12, 2022, the Company completed a two for one share split of all of its issued and outstanding common shares, and as a result, one additional common share was issued for every one common share outstanding. Outstanding stock options and warrants were also adjusted by the stock split ratio and their respective exercise prices were adjusted accordingly. All share and per share data presented in these financial statements have been retroactively adjusted to reflect the share split unless otherwise noted.

The financial statements were approved and authorized for issue by the Board of Directors of the Company on October 5, 2022.

3. Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks, demand deposits and money market instruments with maturities of three months or less, which are readily convertible into cash and are subject to insignificant changes in value. Cash and cash equivalents are designated as financial assets at amortized cost.

(b) Share capital

Cash consideration received from the issuance of units, consisting of common shares and share purchase warrants, are first allocated to common shares based on the quoted market value of the common shares at the time the units are priced, and the balance, if any, is allocated to the attached warrants under the residual method. Transaction costs directly attributable to the issuance of common shares are recognized as a deduction from share capital. Proceeds received for shares that have not yet been issued as at the reporting date are recorded as share subscriptions.

Shares issued for non-monetary consideration are recorded at fair value of the goods or services received. When such fair value cannot be estimated reliably, fair value is measured based on the quoted market value of the Company’s shares on the date of share issuance. Warrants issued as purchase consideration in non-monetary transactions are recorded at fair value using the Black-Scholes option pricing model.

(c) Share-based compensation

Stock options issued to employees are measured at fair value at the grant date and are recognized as an expense over the relevant vesting periods with a corresponding credit to share reserves.

Stock options issued to non-employees are measured at the fair value of goods or services received or the fair value of equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. The fair value of non-employee stock options is recorded as an expense at the date the goods or services are received with a corresponding credit to share reserves.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(c) *Share-based compensation (continued)*

The fair value of options is calculated using the Black-Scholes option pricing model. When determining the fair value of stock options, management is required to make certain assumptions and estimates related to expected lives, volatility, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date.

The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Upon the exercise of stock options, proceeds received from stock option holders are recorded as an increase to share capital and the related share reserve is transferred to share capital.

(d) *Loss per share*

The Company calculates basic earnings or loss per share by dividing net income or loss by the weighted average number of common shares outstanding during the reporting period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

Diluted earnings per share is computed in a manner similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from restricted and deferred stock units and the assumed exercise of stock options and warrants, if dilutive.

(e) *Exploration and evaluation assets*

(i) *Exploration properties*

Exploration properties represent properties for which the Company has not yet performed sufficient exploration work to determine whether significant mineralization exists. Exploration properties are carried at the cost of acquisition and included in exploration and evaluation assets. Exploration expenditures incurred on such properties are expensed as incurred as exploration expenditures in profit or loss. Examples of exploration expenditures that are expensed under this policy include topographical, geological, geochemical and geophysical studies; exploratory drilling; trenching; and sampling.

(ii) *Evaluation properties*

Evaluation properties represent properties for which the Company has identified a mineral resource or reserves of such quantity and grade or quality that it has reasonable prospects for economic extraction. Mineral resource and reserves are considered to have reasonable prospects for economic extraction when the Company has sufficient information to determine that extraction is viable and feasible at expected long-term metal prices. Expenditures made in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource or reserve are capitalized and included in exploration and evaluation assets. Evaluation expenditures include the costs of drilling, sampling and other costs related to defining and delineating the mineral deposit.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(e) Exploration and evaluation assets (continued)

(ii) Evaluation properties (continued)

When the technical feasibility and commercial viability of the extraction of mineral resources or reserves associated with the Company's evaluation properties are demonstrable and management has made a decision to proceed with development, the capitalized costs associated with evaluation assets are reclassified from exploration and evaluation assets to mineral properties, and are tested for impairment at that time.

(iii) Amortization and depletion

Exploration and evaluation assets are not subject to depletion or amortization, but rather are tested for impairment when circumstances indicate that the carrying value may not be recoverable.

(f) Impairment of non-financial assets

Exploration and evaluation assets are tested for impairment when circumstances indicate that the carrying value may not be recoverable. When facts and circumstances suggest that the carrying amount of an asset exceeds its recoverable amount, the Company performs an impairment test by comparing the recoverable amount to the carrying amount of the relevant exploration and evaluation property. The recoverable amount is the higher of fair value less costs to sell and value in use. When the carrying value exceeds the recoverable amount of the relevant exploration and evaluation property, an impairment charge is recorded and the property is written down to its recoverable amount. In addition, exploration and evaluation assets are tested for impairment at the date they are transferred to mineral properties, plant and equipment.

Non-financial assets other than goodwill that have suffered an impairment are evaluated for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(g) Reclamation and remediation provisions

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes the cost of future reclamation and remediation as a liability when: the Company has a legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and, a reasonable estimate of the obligation can be made. The liability is measured initially by discounting expected costs to the net present value using pre-tax rates and risk assumptions specific to the liability. The resulting cost is capitalized to the carrying value of the related assets or expensed to profit or loss where there is no carrying value of the related assets, or where the cost is not recoverable. In subsequent periods, the liability is adjusted for accretion of the discount with the offsetting amount charged to the statement of comprehensive income as a finance cost. Any change in the amount or timing of the underlying cash flows is adjusted to the carrying value of the liability, with the offsetting amount recorded as an adjustment to the reclamation and remediation provision cost included in mineral properties or exploration, evaluation and development expenses. Any amount charged to the carrying value of assets is depreciated over the remaining life of the relevant assets.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(g) Reclamation and remediation provisions (continued)

It is reasonably possible that the ultimate cost of remediation and reclamation could change in the future due to uncertainties associated with defining the nature and extent of environmental disturbance, the application of laws and regulations by regulatory authorities, changes in remediation technology and changes in discount rates. The Company reviews its reclamation and remediation provision at least annually and as evidence becomes available indicating that its expected reclamation and remediation costs may have changed. Any such changes in costs could materially impact the future amounts recorded as reclamation and remediation provision.

At each financial position reporting date presented, the Company has not begun exploration activities, and accordingly, has not incurred any reclamation and remediation costs.

(h) Financial instruments

(i) Recognition and classification

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive (loss) income ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial assets is generally based on the business model in which the financial assets are managed 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.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 the Company has opted to measure them at FVTPL.

(ii) Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(h) Financial instruments (continued)

(ii) Measurement (continued)

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognized in profit or loss. Transaction costs are expensed as incurred.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized 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 recognized in OCI and are never reclassified to profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method; foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Financial liabilities at amortized cost	These are subsequently measured at amortized cost using the effective interest method. Other financial liabilities are derecognized, when the obligations are discharged, cancelled or expired.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(h) Financial instruments (continued)

(iii) Impairment of financial instruments

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

(i) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to exercise judgment and to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Estimates and associated assumptions are based on historical experience and other factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated for reasonableness and relevancy. Where revisions to accounting estimates are required, they are recognized in the period in which the estimates are revised for the current as well as future periods that are affected.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

3. Significant Accounting Policies (Continued)

(j) Significant accounting judgments, estimates and assumptions (continued)

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements are described below:

(i) Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(ii) Share-based compensation

The fair value of equity instruments is subject to the limitations of the Black-Scholes option pricing model as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of the Company's share price, expected life of options, rate of forfeiture of awards granted, changes in subjective input assumptions can materially affect the fair value estimate.

(iii) Impairment of exploration and evaluation assets

Exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the period for which the Company has the right to explore in a specific area, actual and planned exploration expenditures, results of exploration, whether an economically-viable operation can be established and significant negative industry or economic trends.

(iv) Deferred tax assets

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. The Company has recorded a full valuation allowance against its deferred tax assets due to the uncertainty in the realization of these assets.

(k) New accounting standards issued but not yet effective

The Company has performed an assessment of new standards issued by the IASB that are not yet effective and has determined that any new standards that have been issued would have no or very minimal impact on the Company's financial statements.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

4. Exploration and Evaluation Assets

On February 28, 2021, the Company entered into an option agreement (the "Agreement") to acquire the Lac Chavigny Gold Property, located in the province of Quebec, comprising 14 contiguous claims. The Company may acquire a 100% interest in the property for the following consideration:

(a) Cash payments:

- (i) \$25,000 upon execution of the Agreement (paid);
- (ii) \$25,000 within five days of the "Effective Date" (defined as the Company's Exchange listing and completion of initial public offering on February 17, 2022) but no later than December 1, 2021 (paid); and
- (iii) \$100,000 within eighteen months of the Effective Date.

(b) Issuance of 1,400,000 common shares as follows:

- (i) 400,000 shares within five days of the Effective Date (issued); and
- (ii) 1,000,000 shares within eighteen months of the Effective Date.

(c) Completion of an aggregate of \$575,000 in exploration expenditures as follows:

- (i) \$75,000 within eighteen months of the Effective Date; and
- (ii) \$500,000 within twenty-eight months of the Effective Date.

The agreement is subject to a 1% Net Smelter Return (NSR), one-half of which can be repurchased by the Company for \$1,000,000.

As at June 30, 2022, the Company paid \$50,000 and issued 400,000 shares (Note 6) with a fair value of \$20,000 towards the acquisition of property.

5. Accounts Payable

	2022	2021
	\$	\$
Accounts payable	24,055	11,085
Accrued liabilities	15,000	-
	39,055	11,085

6. Share Capital

(a) Authorized

Unlimited common shares without par value.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

6. Share Capital (Continued)

(b) Issued and outstanding

As at June 30, 2022, the Company's issued and outstanding share capital consisted of 21,590,002 (2021 – 15,000,002) issued and fully paid common shares. The following shares were issued during the year ended June 30, 2022:

- (i) On February 17, 2022, the Company completed its IPO and issued 5,570,000 common shares at \$0.05 per share for gross proceeds of \$278,500. Total share issuance costs with respect to the IPO were \$134,603 which comprised of commissions of \$27,850, corporate finance fees of \$20,459 and legal fees and disbursements of \$86,294.
- (ii) On February 17, 2022, the Company issued 400,000 common shares with a fair value of \$20,000 in connection with the Lac Chavigny property option agreement. (Note 4(b)(i))
- (iii) An aggregate of 620,000 common shares were issued pursuant to exercise of options for gross proceeds of \$34,100. The fair value of the options of \$24,476 was reclassified from reserves to share capital on the exercise of these options. As at June 30, 2022, \$3,300 was included in other receivable in connection with the exercise of options. This amount was received subsequent to June 30, 2021.

The following shares were issued during the year ended June 30, 2021:

- (i) On April 23, 2021, the Company issued 5,000,000 units at a price of \$0.01 per unit for gross proceeds of \$50,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at the price of \$0.05 until April 23, 2026.
- (ii) On June 30, 2021, the Company issued 10,000,000 units at a price of \$0.025 per unit for gross proceeds of \$250,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at the price of \$0.05 until June 30, 2026.

(c) Escrowed securities

In connection with the IPO, 400,002 common shares and 400,000 warrants held by principals of the Company were deposited in escrow. On the listing date of February 17, 2022, 10% of these shares and warrants were released from escrow with 15% of the remainder being released every 6 months following February 17, 2022. At June 30, 2022, 360,002 common shares and 360,000 warrants were held in escrow.

(d) Warrants

Each warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

6. Share Capital (Continued)

(d) Warrants (continued)

	Warrants	Weighted average exercise price
	#	\$
Balance, January 29, 2021	-	-
Issued	15,000,000	0.05
Balance, June 30, 2021 and 2022	15,000,000	0.05

The following table summarizes the warrants outstanding as at June 30, 2022:

Exercise Price	Expiry date	Warrants
\$		#
0.05	April 23, 2026	5,000,000
0.05	June 30, 2026	10,000,000
		15,000,000

As at June 30, 2022, the weighted average remaining contractual life of the warrants was 3.94 years.

(e) Stock options

The Company has a rolling incentive stock option plan (the "Plan") which provides that the aggregate maximum number of common shares that may be issued upon the exercise of options granted under the Plan shall not exceed 10% of the Company's issued and outstanding shares. The exercise price of any options granted under the Plan is determined by the Board but shall not be less than the exercise price permitted by the Exchange. Options have expiry dates of no later than ten years from the date of grant.

A summary of the status of the options outstanding follows:

	Options	Weighted average exercise price
	#	\$
Balance, June 30, 2021	-	-
Granted	1,570,000	0.11
Exercised	(620,000)	0.055
Balance, June 30, 2022	950,000	0.15

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

6. Share Capital (Continued)

(e) Stock options (continued)

The following table summarizes the options outstanding and exercisable as at June 30, 2022:

Exercise Price	Expiry date	Options outstanding	Options exercisable
\$		#	#
0.055	March 1, 2026	700,000	400,000
0.40	June 9, 2027	250,000	250,000
		950,000	650,000

As at June 30, 2022, the weighted average remaining contractual life of the options was 4.01 years.

During the year ended June 30, 2022, the Company recorded share-based compensation of \$126,415 (2021 - \$Nil) for all stock options granted during the year.

The fair value of options granted during the year was determined using the Black-Scholes option-pricing model based on the following weighted average assumptions at the time of grant:

	2022
Risk-free annual interest rate	1.70%
Expected annual dividend yield	0%
Expected stock price volatility	126%
Expected life of options (years)	4
Forfeiture rate	0%

The weighted average fair value of stock options granted during the year ended June 30, 2022 was \$0.08 per option.

7. Related Party Transactions

The Company's key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company, and is comprised of the Company's Board of Directors and executive officers.

(a) Compensation of key management personnel

During the year ended June 30, 2022, no remuneration was paid to key management personnel other than below:

	2022	2021
	\$	\$
Management fees	36,481	2,500
Professional fees	6,205	-
Share-based compensation	49,029	-
	91,715	2,500

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

7. Related Party Transactions

(b) Related party balances

Included in accounts payable at June 30, 2022, is \$576 (2021 - \$Nil) for an amount owing to an officer of the Company.

8. Capital Management

The Company's objectives for the management of capital are to safeguard the Company's ability to continue as a going concern, including the preservation of capital, and to achieve reasonable returns on invested cash after satisfying the objective of preserving capital.

The Company considers its cash to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating costs over a reasonable future period. The Company accesses capital markets as necessary and may also raise additional funds where advantageous circumstances arise. The Company currently has no externally-imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended June 30, 2022.

9. Fair Value of Financial Instruments

As at June 30, 2022, the Company's financial instruments consist of cash, other receivable and accounts payable and accrued liabilities. The carrying amounts of these financial instruments approximate fair value due to their immediate or short-term maturity.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices). The Company does not have any financial instruments classified under Level 2.
- Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data. The Company does not have any financial instruments classified under Level 3.

As at June 30, 2022, the Company had no financial instruments classified at FVPTL.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

10. Financial Instruments Risk

The Company's financial instruments are exposed to the following risks:

(a) *Credit Risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held with highly rated and reputable Canadian financial institutions and with a lawyer's trust account, and therefore, are not subject to credit risk.

The Company's maximum exposure to credit risk is equal to the carrying amounts of cash and other receivable.

(b) *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 manages liquidity risk through its capital management as outlined in Note 8 to the financial statements. At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

(c) *Market Risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices and foreign exchange rates. The Company is not exposed to price risk.

(d) *Interest Rate Risk*

Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

As at June 30, 2022, the Company did not have any financial instruments subject to significant interest rate risk.

CULLINAN METALS CORP.

Notes to the Financial Statements

June 30, 2022 and 2021

(Expressed in Canadian dollars)

11. Income tax

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2022	2021
	\$	\$
Loss before taxes	(351,127)	(26,315)
Canadian statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(95,000)	(7,000)
Permanent differences	34,000	-
Share issuance costs	(36,000)	-
Change in deferred tax asset not recognized	97,000	7,000
Total income tax expense	-	-

The unrecognized deductible temporary differences as at June 30, 2022, are comprised of non-capital loss carryforwards of \$277,000 expiring 2041 to 2042 (2021 - \$26,315 expiring 2041) and share issuance costs of \$108,000 expiring 2043 to 2046 (2021 - \$Nil).

As at June 30, 2022, the Company had non-capital loss carryforwards of approximately \$277,000 which may be carried forward to apply against future income for Canadian tax purposes subject to final determination by taxation authorities expiring 2041 to 2042 (2021 - \$26,315 expiring 2041).

12. Subsequent Event

The following events occurred subsequent to June 30, 2021:

- (a) On September 20, 2022, the Company closed a private placement of 1,663,333 units at a price of \$0.30 per unit for gross proceeds of \$499,000. Each unit is comprised of one common share and one warrant exercisable at \$0.40 per share until September 20, 2024; and
- (b) The Company has entered into a property option agreement dated September 22, 2022, to acquire a 100% interest in a graphite property located in Quebec by making cash payments of \$150,000 and issuing \$350,000 worth of common shares of the Company over a period of two years, and incurring exploration expenditures of \$425,000 over a period of three years. Closing of the transaction is subject to certain conditions including the approval of the CSE.