

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)

Financial Statements

For the years ended, March 31, 2019 and 2018

Independent Auditor's Report

To the Shareholders of Unity Metals Corp. (formerly Unity Energy Corp.):

Opinion

We have audited the financial statements of Unity Metals Corp. (formerly Unity Energy Corp.) (the "Company"), which comprise the statements of financial position as at March 31, 2019 and March 31, 2018, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and March 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has incurred an accumulated deficit of \$10,577,731 as of March 31, 2019. As stated in Note 1, these events or 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.

Other Information

Management is responsible for the other information. The other information comprises 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 audits 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 audits 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 on this other information, 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 International Financial Reporting 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Joseph J. Chirkoff.

Vancouver, British Columbia

July 29, 2019

MNP LLP
Chartered Professional Accountants

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Statements of Financial Position
As at March 31
(Expressed in Canadian Dollars)

	2019	2018
ASSETS		
Current assets		
Cash	\$ 624,674	\$ 3,017
Marketable securities (Note 4)	-	13,830
Receivables	6,535	9,886
Total current assets	631,209	26,733
Exploration and evaluation assets (Note 5)	158,750	85,492
TOTAL ASSETS	\$ 789,959	\$ 112,225
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 149,900	\$ 66,029
Loans payable (Note 8)	123,023	-
TOTAL LIABILITIES	272,923	66,029
EQUITY		
Share capital (Note 6)	10,385,460	9,739,106
Reserves (Note 6)	709,307	693,602
Deficit	(10,577,731)	(10,386,512)
TOTAL EQUITY	517,036	46,196
TOTAL LIABILITIES AND EQUITY	\$ 789,959	\$ 112,225

Nature and continuance of operations (note 1)

Subsequent events (Note 12)

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Board

Director "Peter Born"
Peter Born

Director "Richard Ko"
Richard Ko

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Statements of Loss and Comprehensive Loss
For the years ended March 31
(Expressed in Canadian Dollars)

	2019	2018
EXPENSES		
Accretion expense	\$ 7,853	\$ -
Claims maintenance fees	2,348	-
Consulting and management fees (Note 8)	80,015	343,000
Office and general	57,411	138,354
Professional fees	25,171	14,942
Regulatory and filing fees	21,217	20,875
Loss from operations for the year	(194,015)	(517,171)
Other items		
Fair value adjustment on marketable securities (Note 4)	(13,830)	(2,131)
Gain on settlement of debt (Note 13)	16,626	-
Write-off of exploration and evaluation assets (Note 5)	-	(4,032)
Loss for the year before income tax	(191,219)	(523,334)
Deferred tax recovery	-	(3,878)
Loss for the year	(191,219)	(527,212)
Other Comprehensive Income		
Fair value adjustment on marketable securities, net of tax (note 4)	-	(25,954)
Total Comprehensive Loss	\$ (191,219)	\$ (553,166)
Basic and diluted loss per share	\$ (0.01)	\$ (0.06)
Weighted average number of common shares outstanding	13,355,812	8,633,859

The accompanying notes are an integral part of these financial statements

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
 Statements of Changes in Equity
 (Expressed in Canadian Dollars)

	Note	Number of Shares	Share capital	Share Subscriptions Advanced / (Receivable)	Reserves	Accumulated Other Comprehensive Income	Deficit	Total Equity
Balance at March 31, 2017		7,021,248	\$ 9,266,256	\$ (21,000)	\$ 693,602	\$ 25,954	\$ (9,859,300)	\$ 105,512
Shares issued on private placement	6	4,739,550	472,850	21,000	-	-	-	493,850
Fair value adjustment on marketable securities	4	-	-	-	-	(25,954)	-	(25,954)
Net loss		-	-	-	-	-	(527,212)	(527,212)
Balance at March 31, 2018		11,760,798	\$ 9,739,106	\$ -	\$ 693,602	\$ -	\$ (10,386,512)	\$ 46,196
Shares issued:							-	-
for cash in private placement	6	3,020,000	271,800	-	-	-	-	271,800
warrants exercised at \$0.13 per share	6	2,920,000	379,600	-	-	-	-	379,600
Share issue costs		-	(5,046)	-	-	-	-	(5,046)
Discount on related party loan	8	-	-	-	15,705	-	-	15,705
Net loss		-	-	-	-	-	(191,219)	(191,219)
Balance at March 31, 2019		17,700,798	10,385,460	\$ -	\$ 709,307	\$ -	\$ (10,577,731)	\$ 517,036

The accompanying notes are an integral part of these financial statements

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

Cash provided by (used for):	2019	2018
Operating activities		
Net loss	\$ (191,219)	\$ (527,212)
Adjustments for non-cash items:		
Write-off of exploration and evaluation asset	-	4,032
Fair value adjustment on marketable securities	13,830	2,131
Accretion interest expense	7,853	-
Deferred tax recovery	-	3,878
Working capital adjustments:		
Receivables	3,351	(1,876)
Accounts payable and accrued liabilities	83,871	453,967
Net cash flows used in operating activities	(82,314)	(65,080)
Investing activities		
Additions to exploration and evaluation assets	(73,258)	(32,665)
Net cash flows used in investing activities	(73,258)	(32,665)
Financing activities		
Loan advances	130,875	-
Proceeds from issuance of shares	651,400	70,700
Share issue costs	(5,046)	-
Net cash flows from financing activities	777,229	70,700
Change in cash	621,657	(27,045)
Cash, beginning of year	3,017	30,062
Cash, end of year	\$ 624,674	\$ 3,017

The accompanying notes are an integral part of these financial statements

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Notes to the financial statements
As at and for the years ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Unity Metals Corp. (formerly "Unity Energy Corp." or the "Company") is in the business of the acquisition and exploration of its exploration and evaluation assets. The Company is currently in the exploration stage of developing its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The Company is listed on the TSX Venture Exchange ("TSX-V").

The Company's head office, principal address and registered and records office is 313 – 515 West Pender Street, Vancouver, B.C., V6B 6H5.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2019 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company has incurred operating losses since inception and at March 31, 2019, had a cumulative deficit of \$10,577,731. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months from proceeds of private placements of its common shares.

These 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 existence.

2. Significant accounting policies and basis of presentation

Basis of presentation

These financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These financial statements were approved by the board of directors for issue on July 29, 2019.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

The following are critical judgments and areas involving estimates, that management have made in the process of applying the Company's accounting policies that have the most significant effect on the amount recognized in the financial statements.

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Notes to the financial statements
As at and for the years ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of presentation (cont'd)
Critical accounting judgments and key sources of estimation uncertainty (cont'd)

a) Critical judgments in applying accounting policies

Going concern evaluation

As discussed in note 1, these financial statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at March 31, 2019.

Review of asset carrying value and impairment assessment

In accordance with our policy, each asset or cash generating unit is evaluated every reporting period to determine whether there are any indications of impairment. If such an indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. The recoverable amount of an asset or cash generating unit is measured at the higher of fair value less costs to sell or value in use.

b) Key sources of estimation uncertainty

Income taxes

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax assets and unused tax losses can be utilized. In addition, the valuation of tax credits receivable requires management to make judgments on the amount and timing of recovery.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black Scholes Option Pricing Model. The number of shares and 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.

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Notes to the financial statements
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2. Significant accounting policies and basis of presentation (cont'd)

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in comprehensive loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

Changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Notes to the financial statements
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2. Significant accounting policies and basis of presentation (cont'd)

Impairment of assets (cont'd)

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

c) Accounting Policies

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for 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.

Cash

Cash consist of cash held in lawyers' trust accounts and deposits in banks.

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on April 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model. The change did not impact the carrying value of any of the Company's financial instruments on the transition date.

We have assessed the classification and measurement of our financial assets and financial liabilities under IFRS 9 as follows:

	IAS 39	IFRS 9
Financial assets		
Cash	Amortized cost	Amortized cost
Marketable securities	Available-for-sale	Fair value through profit or loss
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
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2. Significant accounting policies and basis of presentation (cont'd)

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.

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 loss and comprehensive loss. 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 loss and comprehensive loss 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 ("OCI"). On derecognition, 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 comprehensive 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.

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Notes to the financial statements
As at and for the years ended March 31, 2019 and 2018
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2. Significant accounting policies and basis of presentation (cont'd)

(iv) 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.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. 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 derecognition are generally recognized in profit or loss.

Share purchase warrants

The Company may enter into a financing arrangement requiring the issuance of warrants to holders as part of the transaction. Warrants may also be issued to brokers or finders as consideration for services provided. Warrants issued for services provided are measured at the fair value of services received. Only if the fair value of the services cannot be measured reliably would the fair value of the equity instruments granted be used. Warrants not issued in exchange for goods or services can be classified as a derivative financial liability or an equity instrument depending on the terms and conditions of the warrants. Consideration received on the sale of a share and share purchase warrant classified as equity is allocated, within equity, to their respective equity accounts on a reasonable basis. The allocation method the Company uses is residual method.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized 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. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Marketable Securities and Derivatives

Investments in units of another company consisting of a common share and a share purchase warrant are compound financial instruments which are initially measured using a relative fair value method. The value of the warrants and the common shares are first measured separately at their respective fair values. The fair value of the unit is then allocated to each component on a pro-rata basis.

UNITY METALS CORP. (FORMERLY UNITY ENERGY CORP.)
Notes to the financial statements
As at and for the years ended March 31, 2019 and 2018
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2. Significant accounting policies and basis of presentation (cont'd)

Marketable Securities and Derivatives (cont'd)

Marketable securities are accounted for as available for sale investments and measured at their fair value at each reporting period. Subsequent changes in fair value are recorded in other comprehensive income.

Warrants are classified as derivative instruments as they are based on the fair value of the investment entity's quoted share price. Warrants are valued by using the Black-Scholes valuation technique. Derivatives are measured at fair value through profit and loss at each reporting period. Subsequent changes in the fair value of the warrants are recorded through profit and loss.

At each reporting period, the Company assesses the investment for indicators of impairment. Any impairment charges are removed from other comprehensive income and/or the value of the asset and recorded as part of profit and loss.

3. Accounting standards and amendments issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective.

IFRS 16 - Leases

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted. The Company has not yet evaluated the impact of adoption of this standard on its financial statements.

4. Marketable securities

On February 16, 2017, the Company subscribed for 500,000 units of 92 Resource Corp. which consisted of 500,000 shares and 500,000 share purchase warrants for a total cash cost of \$50,000. The warrants are exercisable an exercise price of \$0.15 per share expiring February 16, 2019.

The common shares were classified as available-for-sale financial assets and the warrants as derivative financial assets. The initial fair value of the shares was based on a quoted market price and the fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions: risk-free interest rate of 0.79%, dividend yield of 0%, stock price volatility of 144%, and an expected life of 2 years.

For the year ended March 31, 2018, the Company recognized the subsequent unrealized loss on changes in fair value of the warrants of \$24,778 as part of the loss for the year.

The common shares with fair value at the disposition date of \$50,000 were disposed of during the year ended March 31, 2018 to settle accounts payable of \$52,815. The unrealized gains and losses previously recorded in other comprehensive income of \$19,832 and a gain of settlement of \$2,815 were recognized in profit and loss.

On February 16, 2019, the warrants expired unexercised and the Company recognized a loss on marketable securities of \$13,830 as part of the loss for the year.

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5. Exploration and evaluation assets

Margurete Gold Property

On September 5, 2017, the Company entered into an agreement to earn 100% interest in certain mineral claims, referred to as the “Margurete Gold Property” by paying the following:

- \$50,000 in cash;
- A further \$90,000 in 18 months;
- A further \$200,000 in 36 months;
- The Company must complete \$300,000 exploration expenditures within 5 years of the signing of the agreement.

The purchaser has the right to accelerate any of the payments completed under this agreement.

A 1% GORR has been granted to the vendor, of which ½% can be purchased by the Company for \$1,000,000.

During the year ended March 31, 2018, the Company incurred \$50,000 in acquisition expenditures and \$35,480 in exploration expenditures on the Margurete Gold Property.

On June 6, 2018, the Company amended its Option Agreement for the Margurete Property, originally dated September 5, 2018. Under the amended terms, the previous GORR (“Gross Overriding Royalty”) will be replaced with a NSR (“Net Smelter Return”). The arms-length Vendor shall retain a one percent (1%) NSR, with a buyback provision of one-half percent (1/2%) to the Company for \$1,000,000.

All other terms and conditions of the original Option Agreement shall remain in full force and effect.

During the year ended March 31, 2019, the Company incurred an additional \$73,258 in exploration expenditures on the Margurete Gold Property.

A summary of the Company’s exploration and evaluation assets is shown below:

	Margurete		
	Gold	Other	Total
Acquisition Costs			
Balance, March 31, 2018	50,000	4	50,004
Additions	-	-	-
Disposition	-	-	-
Impairment	-	-	-
Balance, March 31, 2019	50,000	4	50,004
Exploration Costs			
Balance, March 31, 2018	35,480	8	35,488
Additions	73,258	-	73,258
Disposition	-	-	-
Impairment	-	-	-
Balance, March 31, 2019	108,738	8	108,746
Total March 31, 2018	85,480	12	85,492
Total March 31, 2019	158,738	12	158,750

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6. Share capital

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

2018

On September 27, 2017, the Company issued 1,414,550 common shares for total gross proceeds of \$155,601. Of the amount subscribed, \$106,101 was offset against existing accounts payable and \$49,500 was offset against short term loans.

On November 22, 2017, the Company issued 1,800,000 common shares for total gross proceeds of \$180,000. Of the amount subscribed, \$160,000 was offset against existing accounts payable.

On January 31, 2018, the Company issued 1,525,000 common shares for total gross proceeds of \$137,250. Of the amount subscribed, \$107,550 was offset against existing accounts payable.

2019

On October 25, 2018, the Company issued 3,020,000 units for total gross proceeds of \$271,800. Share issue costs related to the private placement totaled \$5,046. Each unit consists of one non-flow through common share and one transferrable share purchase warrant exercisable at a price of \$0.13 per share for a period of 3 years.

During the year ended March 31, 2019, 370,833 warrants expired or were cancelled by the Company.

On February 22, 2019, the Company issued 2,920,000 common shares pursuant to the exercise of warrants at a price of \$0.13 per share for total cash proceeds of \$379,600.

Share-based payment reserve

Share-based payment reserve records the fair value of warrants and options issued for services until such time that the options and warrants are exercised, at which time the corresponding amount will be transferred to share capital.

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6. Share capital (cont'd)

Stock options

The Company has a Stock Option Plan (the "Plan"), which follows the policies of the TSX-V regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

	Number of options outstanding	Number of options exercisable
Balance, March 31, 2017	138,333	138,333
Granted	-	-
Expired	(138,333)	(138,333)
Balance, March 31, 2018	-	-
Granted	-	-
Expired	-	-
Balance, March 31, 2019	-	-

On December 15, 2016, the outstanding options were re-priced at \$0.05. The Company recorded stock based compensation expense of \$16,811 related to the modification of the options. On April 25, 2017, all remaining outstanding options expired unexercised.

Warrants

Warrant activity for the years ended March 31, 2019 and 2018 is presented below:

	2019		2018	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Outstanding - beginning of year	370,833	\$ 0.30	370,833	\$ 0.30
Expired	(370,833)	0.30	-	-
Granted	3,020,000	0.13	-	-
Exercised	(2,920,000)	0.13	-	-
Outstanding - end of year	100,000	\$ 0.13	370,833	\$ 0.30

As at March 31, 2019, the following warrants were outstanding:

	Number of Warrants	Weighted average Exercise price	Expiry date	Remaining Life (years)
Issued in private placement	100,000	\$ 0.13	October 25, 2021	2.57

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7. Accounts payable and accrued liabilities

	March 31 2019	March 31 2018
Trade and interest payable	\$ 84,899	\$ 35,329
Accrued liabilities	65,000	30,700
	\$ 149,899	\$ 66,029

8. Related party transactions

During the year ended March 31, 2019, the Company:

- a) Incurred management fees of \$60,000 (2018 - \$124,600) to a former director of the Company;
- b) Incurred consulting fees of \$3,500 to a director of the Company;
- c) Incurred geological consulting fees of \$ \$18,000 (2018 - \$57,000) to a company controlled by the CEO of the Company.
- d) Incurred accounting fees of \$3,600 (2018 - \$36,100) to the CFO of the Company.
- e) Received loans of \$130,875 (2018 - \$Nil) from directors and a former director. The Company recognized a discount on the loan of \$15,705 and accretion interest expense of \$7,853. These loans are unsecured and bear interest at 10% per annum due upon reception of next financing. Included in accrued liabilities is interest owing on these loans of \$6,458 (2018 - \$Nil).

At March 31, 2019, included in accounts payable and accrued liabilities is an amount of \$83,040 (2018 - \$17,802) owing to directors and a former director of the Company in respect of fees.

The Company had the following transactions with key management personnel:

	March 31, 2019	March 31, 2018
Management and consulting fees	\$ 85,100	\$ 217,700
Total	\$ 85,100	\$ 217,700

9. Capital management

The Company manages its capital structure, consists of working and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of exploration and evaluation assets. 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 to sustain future development of the business.

The exploration and evaluation assets in which the Company currently has interests are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related parties or private placements as needed. The Company will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the year ended March 31, 2019.

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10. Financial instruments and risk management

Financial instruments

Fair value

As at March 31, 2019, the Company's financial instruments consisted of cash, receivables, trade and other payables. The fair values of cash, receivables and trade and other payables approximate their carrying values.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices which are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data

Risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk on its sales tax receivable is minimal since it is recoverable from the Canadian government.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest expense on loan payable balances at fixed rates. The risk is minimal.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources.

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11. Income taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended March 31, 2019 and 2018:

	2019	2018
	\$	\$
Loss before taxes	(191,219)	(523,334)
Statutory tax rate	27.00%	26.25%
Expected tax recovery	(51,629)	(137,375)
Differences resulting from:		
Non-deductible items	2,009	10,897
Change in deferred tax asset not recognized	49,620	130,356
Total income tax expense (recovery)		3,878
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	-	3,878
	-	3,878

The statutory rate increased from 26.25% to 27% due to the increase in the British Columbia tax rate on January 1, 2018.

The deferred tax assets (liabilities) as at March 31, 2019 and 2018 are comprised of the following:

	2019	2018
	\$	\$
Deferred tax assets (liabilities)		
Non-capital losses	-	1,865
Long-term investments	-	(1,865)
Net deferred tax asset (liability)	-	-

The unrecognized deductible temporary differences as at March 31, 2019 and 2018 are comprised of the following:

	2019	2018
	\$	\$
Exploration and evaluation assets	3,815,163	3,534,739
Property and equipment	162	802
Financing costs	4,037	-
Non-capital losses	3,117,581	2,947,363
Total unrecognized deductible temporary differences	6,936,944	6,482,904

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11. Income taxes (cont'd)

As at March 31, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$3,117,581 (2018: \$2,947,363) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2027	\$ 75,426
2028	69,849
2029	143,164
2030	142,938
2031	235,120
2032	382,724
2033	203,815
2034	236,746
2035	366,086
2036	155,735
2037	418,102
2038	517,658
2039	170,218
	<hr/>
	\$ 3,117,581

12. Subsequent events

On February 21, 2019, the Company announced that it intended to conduct an offering of up to 1,250,000 units at a price of \$1.10 per unit for gross proceeds of \$1,375,000. Each unit would be comprised of one common share and one transferrable share purchase warrant. Each warrant will be exercisable at a price of \$1.15 for two years from the date of issuance. Subsequent to March 31, 2019, the Company decided not to proceed with this offering.

On April 2, 2019, 50,000 warrants were exercised at a price of \$0.13 per share for gross proceeds of \$6,500.

On April 11, 2019, the Company announced that it had acquired an additional 739 hectares of mineral claims in the Phillips Arm Gold Camp known as the Enid Project which adjoins the Company's Margurete Gold Project. The additional claims comprising the Enid Project were purchased from an arm's length vendor for a one-time cash payment of \$300,000. In connection with the acquisition, the Vendor retained a 2.0% net smelter turns royalty, of which ½ % can be purchased for a cash payment of \$1,000,000.

On June 7, 2019, 25,000 warrants were exercised at a price of \$0.13 per share for gross proceeds of \$3,250.

On July 4, 2019, 25,000 warrants were exercised at a price of \$0.13 per share for gross proceeds of \$3,250.

13. Gain on settlement of debt

As at July 1, 2018, a creditor agreed to forgive payment of outstanding fees resulting in a gain on settlement of \$16,626.