

GENERATION MINING LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 and 2019
(Expressed in Canadian dollars)

GENERATION MINING LIMITED
MANAGEMENT'S RESPONSIBILITY FOR
FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of Generation Mining Limited (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim condensed consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim condensed consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Jamie Levy” (signed)

President and Chief Executive
Officer

“Brian Jennings” (signed)

Chief Financial Officer

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the three months ended March 31, 2020 and 2019 have not been reviewed by the Company's auditors.

GENERATION MINING LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

		As at	
		March 31, 2020	December 31, 2019
ASSETS			
CURRENT			
Cash and cash equivalents		\$ 14,323,743	\$ 1,218,516
Cash held in trust		-	13,025
Marketable securities (note 8)		352,056	256,638
Receivables (note 12)		582,412	540,910
Prepaid expenses and other		62,685	20,662
		15,320,896	\$ 2,049,751
NON-CURRENT			
Restricted cash and cash equivalents (note 9)		38,554	37,855
Land, buildings and equipment (note 7)		585,728	600,497
Right-of-use asset (note 9)		231,218	241,571
		855,500	879,923
TOTAL ASSETS		\$ 16,176,396	\$ 2,929,674
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 341,931	\$ 288,982
Debt (note 14)		185,067	180,516
Lease liability (note 9)		27,891	26,870
		\$ 554,889	\$ 496,368
NON-CURRENT			
Lease liability (note 9)		215,806	223,173
TOTAL LIABILITIES		\$ 770,695	\$ 719,541
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 11 a)		\$ 23,622,246	\$ 11,636,743
RESERVE FOR WARRANTS (note 11 b)		6,761,900	4,521,479
RESERVE FOR SHARE-BASED PAYMENTS (note 11 c)		1,671,800	1,417,089
DEFICIT		(16,650,245)	(15,365,178)
TOTAL SHAREHOLDERS' EQUITY		\$ 15,405,701	\$ 2,210,133
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 16,176,396	\$ 2,929,674

Nature of operations (note 1)
Commitments and contractual obligations (note 6 and 13)
Subsequent events (note 15)

Approved on behalf of the Board of Directors on May 21, 2020

(signed) "Jamie Levy", Director

(signed) "Paul Murphy", Director

The accompanying notes are an integral part of the financial statements.
The external auditors have not reviewed these unaudited interim condensed consolidated statements

GENERATION MINING LIMITED

**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF
LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)**

	Three months ended March 31, 2020	Three months ended March 31, 2019
EXPENSES		
Acquisition, evaluation and exploration expenditures (note 6)	\$ 611,003	\$ 208,878
Share-based compensation	295,495	-
Audit, legal and advisory fees	114,515	58,613
Management and corporate administration services	119,766	92,197
Shareholder and investor relations	220,582	16,087
Occupancy cost (note 9)	34,116	24,186
Interest	13,849	-
Operating loss	(1,409,326)	(399,961)
Gain on marketable securities and marketable securities receivable (note 8 and 12)	124,259	136,101
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	\$ (1,285,067)	\$ (263,860)
Loss per share:		
Basic and diluted loss per share	\$0.01	\$ (0.006)
Weighted average number of common shares outstanding	111,061,988	45,469,934

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The external auditors have not reviewed these unaudited interim condensed consolidated statements

GENERATION MINING LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian dollars)

	Capital stock		Reserves for			Total Equity
	Shares	Amount	Warrants	Share-based payments	Accumulated deficit	
Balance, December 31, 2018	45,469,934	\$ 3,237,812	\$ 839,007	\$ 320,626	\$ (1,492,819)	\$ 2,904,626
Net loss	-	-	-	-	(263,860)	(263,860)
Balance, March 31, 2019	45,469,934	\$ 3,237,812	\$ 839,007	\$ 320,626	\$ (1,756,679)	\$ 2,640,766
Issued under property acquisition agreement	11,053,795	\$ 3,000,000	-	-	-	\$ 3,000,000
Issued for cash under private placement	28,572,000	8,000,160	-	-	-	8,000,160
Fair value of warrants issued in private placement	-	(3,428,640)	3,428,640	-	-	-
Fair value of finders options issued in private placement	-	(720,014)	720,014	-	-	-
Share issue cost	-	(312,064)	(442,319)	-	-	(754,383)
Issued for cash under flow through private placement	6,167,460	1,942,750	-	-	-	1,942,750
Flow through share premium	-	(129,611)	-	-	-	(129,611)
Flow through share issue cost	-	(21,575)	-	-	-	(21,575)
Issued on exercise of finders warrants	315,000	55,363	(23,863)	-	-	31,500
Fair value of options granted	-	-	-	1,101,000	-	1,101,000
Issued on exercise of options	53,500	12,562	-	(4,537)	-	8,025
Net loss	-	-	-	-	(13,872,359)	(13,872,359)
Balance, December 31, 2019	91,631,689	\$ 11,636,743	\$ 4,521,479	\$ 1,417,089	\$ (15,365,178)	\$ 2,210,133
Issued for cash under private placement	20,577,403	\$ 10,700,250	-	-	-	\$ 10,700,250
Fair value of warrants issued in private placement	-	(4,115,480)	4,115,480	-	-	-
Fair value of finders options issued in private placement	-	(413,474)	413,474	-	-	-
Share issue cost	-	(340,810)	(290,117)	-	-	(630,927)
Fair value of finders warrants issued	-	(36,065)	36,065	-	-	-
Issued on exercise of warrants	12,876,857	5,527,472	(1,732,886)	-	-	3,794,586
Issued on exercise of finders warrants	1,600,488	575,852	(301,595)	-	-	274,257
Fair value of options granted	-	-	-	295,494	-	295,494
Issued on exercise of options	246,500	87,758	-	(40,783)	-	46,975
Net loss	-	-	-	-	(1,285,067)	(1,285,067)
Balance, March 31, 2020	126,932,937	\$ 23,662,246	\$ 6,761,900	\$ 1,671,800	\$ (16,650,245)	\$ (15,405,701)

The accompanying notes are an integral part of the financial statements.
The external auditors have not reviewed these unaudited interim condensed consolidated statements

GENERATION MINING LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Three months ended March 31, 2020	Three months ended March 31, 2019
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	\$ (1,285,067)	\$ (263,860)
Add items not affecting cash:		
Share-based compensation	295,495	-
Interest accrued but not paid	4,551	4,119
Unrealized gain on marketable securities	(95,418)	(72,450)
Depreciation of right of use asset	10,353	-
Depreciation of buildings and equipment	14,769	-
Changes in non-cash working capital:		
Receivables	(29,176)	(54,577)
Prepaid expenses and other	(42,023)	(127,336)
Accounts payable and accrued liabilities	52,949	35,631
	<u>(1,073,567)</u>	<u>(478,473)</u>
CASH PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from issuance of shares	10,700,250	-
Share issue cost	(630,927)	-
Proceeds from exercise of warrants	3,794,586	-
Proceeds from exercise of finders warrants	274,257	-
Proceeds from exercise of options	46,975	-
Repayment of lease liability	(6,347)	-
	<u>14,178,794</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	13,105,227	(478,473)
CASH AT BEGINNING OF PERIOD	<u>1,218,516</u>	<u>1,167,899</u>
CASH AT END OF PERIOD	<u>\$ 14,323,743</u>	<u>\$ 689,426</u>

The accompanying notes are an integral part of the financial statements.
The external auditors have not reviewed these unaudited interim condensed consolidated statements

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS:

Generation Mining Limited (“Generation Mining” or the “Company”) is an exploration and development company with various property interests throughout Canada. The Company was incorporated on January 11, 2018 under the Business Corporations Act (Ontario). On May 28, 2019, the Company incorporated a wholly owned subsidiary, Generation PGM Inc. (“Generation PGM”), to operate the Marathon property joint venture (“Marathon Property”) (note 6). The Company’s registered office is located at 100 King Street West, Suite 7010, Toronto, Ontario M5X 1B1. The Company’s shares are listed on the Canadian Securities Exchange (the “CSE”) under the symbol GENM.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in future profitable mining operations. The Company’s continued existence is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to explore and develop potential ore reserves or by way of entering into joint venture arrangements, future profitable production, or alternatively, upon the Company’s ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

2. BASIS OF PREPARATION AND PRESENTATION:

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the Company’s annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company’s last annual consolidated financial statements for the year ended December 31, 2019, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies were presented in Note 3: Significant Accounting Policies to the consolidated financial statements for the year ended December 31, 2019.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2019.

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates. The critical judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied and disclosed in Note 2: Use of Estimates and Judgement to the Company’s consolidated financial statements for the year ended December 31, 2019. Significant estimates and judgements include valuation of shares issued in non-cash transactions, the fair value of mineral properties transferred, the recoverability of mineral properties, management going concern assessment and the recognition of deferred income tax. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

2. BASIS OF PREPARATION AND PRESENTATION (continued):

At the end of 2019, a novel strain of coronavirus (“COVID-19”) was reported in China. The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections around the world. On March 11, 2020, it was labelled a pandemic by the World Health Organization. During the first quarter of 2020, attempts at containment of COVID-19 have resulted in decreased economic activity, which has adversely affected the broader global economy. The rapid development and fluidity of the situation precludes any prediction as to the ultimate impact of COVID-19; however, the Company seeks to obtain the best possible information to enable the assessment of the risks involved, and implement appropriate measures to respond. During the quarter ended March 31, 2020, the Company has taken a number of measures to safeguard the health of its employees and the local communities where it operates.

These unaudited interim condensed financial statements were authorized and approved for issue by the Board of Directors on May 21, 2019.

3. RECENT ACCOUNTING PRONOUNCEMENTS:

New and Revised IFRSs, Narrow Scope Amendments to IFRSs and IFRS Interpretations not yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2020. There are currently no such pronouncements that are expected to have a significant impact on the Company's condensed consolidated financial statements upon adoption.

4. FINANCIAL RISK FACTORS AND FAIR VALUE

The Company manages its exposure to a number of different financial risks arising from operations as well as from the use of financial instruments, including market risks (foreign currency exchange rate and interest rate), credit risk and liquidity risk, through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility. Financial risks are primarily managed and monitored through operating and financing activities. The Company does not use derivative financial instruments. The financial risks are evaluated regularly with due consideration to changes in key economic indicators and to up-to-date market information. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the financial risk of non-performance of a contracted counter party. The Company's credit risk is primarily attributable to cash and receivables. The Company reduces its credit risk by maintaining its cash with a Canadian chartered bank. The Company's maximum exposure to credit risk as at March 31, 2020 is the carrying value of cash and receivables.

Liquidity Risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations in full. The Company's main source of liquidity is its cash and marketable securities. These funds are primarily used to finance working capital, exploration expenditures, capital expenditures, and acquisitions. The Company manages its liquidity risk by regularly monitoring its cash flows from operating activities and holding adequate amounts of cash. As at March 31, 2020, the Company has current assets of \$15,320,896 (December 31, 2019 - \$2,049,751) to cover current liabilities of \$554,889 (December 31, 2019 - \$496,368). The current assets include cash and cash equivalents, marketable securities, receivables and prepaid expenses and other which are not available to pay current liabilities (note 8 and 12). The Company also manages liquidity risk on the basis of expected maturity dates. The following table analyze financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

4. FINANCIAL RISK FACTORS AND FAIR VALUE (continued):

	Debt	Lease liability (undiscounted)	Accounts payable and accrued liabilities	Total
Less than 1 year	\$ 185,067	\$ 110,496	\$ 341,931	\$ 637,494
1-5 years	-	441,984	-	441,984
More than 5 years	-	64,456	-	64,456
Balance at March 31, 2020	\$ 185,067	\$ 616,936	\$ 341,931	\$ 1,143,934

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rate, foreign exchange rates, and commodity and equity prices affecting its cash, interest bearing investments, receivables and marketable securities.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company has no significant exposure to foreign currency exchange risk as it has no significant transaction balances denominated in a foreign currency.

Interest Rate Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company is exposed to interest rate fair value risk to the extent that a portion of the debt is at a fixed interest rate.

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Company is exposed to fluctuations in market prices of its marketable securities and shares receivable from a quoted mining exploration company. The fair value of these financial instruments represents the maximum exposure to price risk.

If the quoted price of these instruments had changed by 10% as at March 31, 2020, comprehensive loss would have changed by approximately \$49,000.

Fair Value

The carrying value of cash, accounts payable, accrued liabilities and debt are considered to be representative of their fair value due to their short-term nature. Marketable securities and a portion of receivables are recorded at fair value as of March 31, 2020 and classified as Level 2 in the fair value hierarchy as they are recorded at fair value by reference to market quoted prices less adjustments for any restrictions.

5. CAPITAL MANAGEMENT:

The Company manages its capital structure and makes adjustments to it, based on the funds required and available to the Company, in order to support the acquisition, exploration and development of mineral properties. As at March 31, 2020, the Company's capital consists of shareholder's equity in the amount of \$15,405,701 (December 31, 2019 - \$2,210,133). The Board of Directors does not establish quantitative return on capital criteria for the Company, but rather relies on the expertise of the Company's management to sustain future development of the business. In this relatively formative stage of the Company's existence, it is likely that primary emphasis will continue to be placed on equity instruments, as funded debt is currently not available to the Company.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

5. CAPITAL MANAGEMENT (continued):

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned and future exploration, and pay for administrative costs, the Company intends to raise additional amounts of working capital as needed. The Company may continue to assess new properties and seek to acquire an interest in additional properties if there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

6. MINERAL PROPERTIES AND AGREEMENTS:

Marathon, Ontario: On July 10, 2019, the Company, through Generation PGM, completed the acquisition of a 51% initial interest in the Marathon PGM deposit near Marathon, Ontario and entered into a joint venture agreement with Stillwater Canada Inc. (“Stillwater”) with respect to the property (“Marathon Property”). The Company paid \$3,000,000 in cash and issued 11,053,795 common shares of the Company at a deemed price of \$0.2714 per common share (totaling \$3,000,000), for a total consideration of \$6,000,000. The Company has the right to increase its interest in the Marathon Property to 80% by spending \$10,000,000 in exploration, evaluation and development expenditures and preparing a preliminary economic assessment (“PEA”) within four years of closing. On February 19, 2020, the Company filed a PEA. During this four-year second earn-in period, the Company must sole-fund all expenditures in respect of the Marathon Property and related activities. Once the Company has increased its total interest in the Marathon Property to 80%, the parties will jointly fund future exploration expenditures on an 80/20 pro rata basis to maintain their respective interests in the joint venture, subject to normal dilution provisions. Upon completion of a definitive feasibility study and making a positive commercial production decision, Stillwater Canada Inc. will have 90 days to exercise an option to increase its interest in the joint venture to 51% by agreeing to fund 31% (if it has maintained a minimum 20% interest) of the total capital cost estimated by the feasibility study. The Company is currently the operator of the joint venture (unless its interest in the joint venture reduces to a minority interest) and has assumed all liabilities of the Marathon Property. At March 31, 2020 the Company has incurred \$4,485,882 in exploration and evaluation expenditures and \$5,519,640 in acquisition costs on the Marathon Property.

Darnley Bay Anomaly, Northwest Territories: The Company holds 100% of the rights to a mineral concession covering the Inuvialuit Settlement Region’s lands where the Inuvialuit hold the mineral and surface rights. The area hosts potential base metal and diamond exploration targets. The Company has an agreement regarding exploration and development with the Inuvialuit Regional Corporation which requires cash payments of \$50,000 per year commencing in 2020, or when the TSX-Venture Exchange composite index reaches 1500, and minimum exploration expenditures of \$1,000,000 per year commencing in 2020 and cumulative exploration expenditures of \$6.3 million by 2025.

Darnley Bay Diamond, Northwest Territories: The property consists of jointly held mineral leases on the Parry Peninsula northeast of Paulatuk in the Inuvialuit Settlement Region’s lands where the Inuvialuit hold the surface rights and the Crown holds the mineral rights. The focus is on diamond exploration. The Company and Diadem Resources Ltd. continue to advance exploration through a joint venture agreement where Diadem is currently responsible for all expenditures relating to the project.

Davidson, British Columbia: The Company has an option to acquire a 100% interest in a property hosting a molybdenum-tungsten deposit. The option agreement was signed on April 1, 2016 and payments totalling \$350,000 were made as at March 31, 2020. There is an ongoing commitment of \$100,000 payable on each anniversary of the agreement until commercial production is achieved or the agreement is terminated. Subsequent to quarter end, \$100,000 was paid pursuant to the Company’s 2020 obligation. Upon commercial production, the vendor will be entitled to a net smelter return royalty of 3%.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Clear Lake, Yukon Territory: On May 24, 2016, the Company entered into an option agreement to earn a 100% interest in a zinc-lead-silver property. Total payments and work commitments of \$23,320 were made during the period from January 11, 2018 to October 1, 2018. On October 1, 2018, the Company entered into an Assignment, Assumption and Amending Agreement (“Clear Lake Assignment Agreement”) with Eastern Zinc Corp. (“Eastern Zinc”) and the optionor of the Clear Lake property to assign the exclusive right and option to acquire a 100% interest in the property to Eastern Zinc. Pursuant to the agreement, Eastern Zinc paid \$50,000 in cash and issued 12,600,000 common shares of Eastern Zinc to the Company. An additional \$50,000 in cash and 5,010,000 common shares of Eastern Zinc were due to the Company on October 1, 2019 which was extended to October 1, 2020. Eastern Zinc split its common shares on three shares for one existing share basis on October 15, 2018. All common share amounts noted herein reflect the stock split. At March 31, 2020, the Company held 12,600,000 common shares of Eastern Zinc valued at \$352,057 and an additional 5,010,000 common shares receivable valued at \$114,282 (notes 8 and 12). On January 31, 2020, Eastern Zinc provided notice of termination pursuant to the underlying option agreement which has no effect on the Company’s receivables for Eastern Zinc.

Nak, British Columbia: The Company has an option to earn a 100% interest in a copper-gold project. The option agreement was signed on August 30, 2016 and is subject to a 2% royalty of which 62.5% can be purchased from the optionor for \$1.5 million. There has been \$60,000 in cash paid to the optionor as at March 31, 2020. Future cash payments consist of: \$30,000 on August 30, 2020, \$60,000 on August 30, 2021, \$25,000 on completion of 1,500 metres of drilling, \$25,000 on completion of an additional 3,000 metres of drilling on or before December 31, 2022, and \$125,000 and a minimum 250,000 common shares (or cash equivalent) in the capital of the Company upon completion of an additional 7,000 metres of drilling on or before December 31, 2022. Pursuant to the option agreement the Company is required to spend \$500,000 on the property prior to August 31, 2019. As at March 31, 2020 the Company has incurred \$37,600 in work commitments, there was an amount of \$12,500 waived by the optionor and there is a work commitment balance of \$449,900. The vendor and the Company are currently in discussions regarding possible amendments to the option agreement for payment and work commitment terms.

Rawdon Zinc (formerly Kennetcook), Nova Scotia: On March 16, 2018, the Company entered into a Claims Acquisition Agreement to acquire a 100% interest in an exploration property with the potential to host lead-zinc-silver-copper mineralization in central Nova Scotia. Pursuant to the agreement, the Company issued 3,000,000 common shares valued at \$191,400 to the optionor (note 10). At March 31, 2020, the Company held seven mineral licenses covering an area of 6,444 hectares.

Alberta Zinc, Alberta: On May 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the Alberta Zinc project. The Company paid \$10,000 and issued 500,000 common shares valued at \$31,900 to the vendor upon signing the agreement and committed to a minimum of \$100,000 in expenditures on the property which was fulfilled as at December 31, 2019. A further payment of \$250,000 (in cash or shares) is required on May 10, 2020. The Company does not intend to make this payment. The property is subject to a 2% gross metals royalty, of which the Company can purchase half at any time for \$1 million.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Mineral Property Expenditures:

Below are the cumulative mineral property expenditures as at December 31, 2019 and the first quarter ended March 31, 2020:

	Cumulative as at December 31, 2019	Quarter ended March 31 Evaluation and Exploration	Cumulative as at March 31, 2020
Darnley Bay Anomaly	576,941	-	576,941
Davidson	314,480	28,355	342,835
Nak	67,599	-	67,599
Clear Lake	23,320	-	23,320
Rawdon Zinc (formerly Kennetcook)	550,917	-	550,917
Alberta Zinc	179,626	-	179,626
Marathon	9,422,874	582,648	10,005,522
Total expenditures in the period	\$ 11,135,757	\$ 611,003	\$ 11,746,760
Mineral properties acquired	1,216,848	-	1,216,848
Total cumulative mineral property expenditures	\$ 12,352,605	\$ 611,003	\$ 12,963,608

7. LAND, BUILDINGS AND EQUIPMENT:

	Land and buildings ⁽¹⁾	Vehicles	Total
Cost			
As at December 31, 2019	\$ 600,965	\$ 29,070	\$ 630,035
Additions	-	-	-
As at March 31, 2020	\$ 600,965	\$ 29,070	\$ 630,035
Accumulated depreciation			
As at December 31, 2019	\$ 22,271	\$ 7,267	\$ 29,538
Depreciation expense	11,135	3,634	14,769
As at March 31, 2020	\$ 33,406	\$ 10,901	\$ 44,307
Net book value			
As at December 31, 2019	\$ 578,694	\$ 21,803	\$ 600,497
As at March 31, 2020	\$ 567,559	\$ 18,169	\$ 585,728

⁽¹⁾ The land, buildings and equipment were acquired through the acquisition of the Marathon property and are recorded in proportion to the Company's interest in the joint operation.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019 (Expressed in Canadian dollars)

8. MARKETABLE SECURITIES:

Pursuant to the Clear Lake Assignment Agreement of the Clear Lake option agreement dated October 1, 2018, the Company holds 12,600,000 common shares of Eastern Zinc (note 6). As at March 31, 2020, the Company holds 18.3% (December 31, 2019 - 18.3%) of the outstanding common shares of Eastern Zinc and accounts for the common shares of Eastern Zinc as a portfolio investment at fair value.

As of March 31, 2020, the Eastern Zinc common shares were valued at \$352,056 based on a 30-day volume weighted average price (December 31, 2019 - \$256,638). A gain of \$95,418 for the first quarter ended March 31, 2020 (March 31, 2019 – \$72,450) was included in the statement of comprehensive loss for the change in the fair value.

9. RIGHT-OF-USE ASSET AND LEASE LIABILITY:

On May 1, 2019, the Company entered into an office lease. Accordingly, the Company recognized a right-of-use asset in the first quarter ended March 31, 2020 as follows:

Right-of-use asset	March 31, 2020
Opening balance	\$ 241,571
Depreciation	(10,353)
	<u>\$ 231,218</u>

At the commencement date of the lease, the lease liabilities were measured at the present value of the lease payments. The lease payments are discounted using an interest rate of 15%, which is the Company's incremental borrowing rate. The continuity of lease liabilities is outlined below:

	March 31, 2020
Opening balance	\$ 250,043
Accretion of interest	9,298
Payments	(15,645)
Total lease liability	<u>\$ 243,696</u>
Less: current portion	(27,891)
Non-current portion of lease liability	<u>\$ 215,805</u>

Occupancy cost in the statement of loss and comprehensive loss includes \$10,353 depreciation on the right of use asset, \$15,645 on short term leases and \$8,118 of variable lease payments related to additional rent and services.

As required under the lease agreement, the Company has \$38,554 of funds held in GICs as security for the lease.

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10. RELATED PARTY TRANSACTIONS:

Key management of the Company includes its directors, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. Compensation to key management is paid in the form of cash and share-based payments (note 11 c).

During the first quarter ended March 31, 2020, key management of the Company charged fees in the amount of \$159,000 (2019 - \$94,350), included in management and corporate administration services on the statements of loss and comprehensive loss.

On February 5, 2020, there were 500,000 options granted exercisable for \$0.65 for five years and on March 18, 2020, there were 750,000 options granted exercisable at \$0.45 for five years to key management (2019 – nil). The fair values of the options are \$285,000 and \$198,750 respectively which have been expensed as stock-based compensation in the quarter according to the vesting conditions.

As at March 31, 2020, accounts payable include \$55,729 (March 31, 2019 - \$48,170) due to key management of the Company.

11. CAPITAL STOCK:

a) Common shares:

The Company's authorized share capital consists of an unlimited number of common shares.

On April 20, 2018, the Company completed a non-brokered private placement through the issuance of 22,550,000 units at a price of \$0.10 per unit, and the issuance of 2,450,000 flow-through common shares at a price of \$0.10 per flow-through share for aggregate proceeds of \$2,500,000. Each unit consists of one common share and one-half of one common shares purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.20 until April 20, 2020. Cash commissions to finders were paid on 6% of the proceeds raised and finder's warrants were issued representing 6% of the securities purchased. Each finder's warrant entitles the holder to purchase one common share at \$0.10 per common share until April 20, 2020.

On April 25, 2018, the Company completed a second tranche of its non-brokered private placement raising additional proceeds of \$100,000 through issuance of 500,000 units at a price of \$0.10 per unit, and the issuance of 500,000 flow-through common shares at a price of \$0.10 per flow-through share. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.20 until April 25, 2020. Cash commissions to finders were paid on 6% of the proceeds raised and finder's warrants were issued representing 6% of the securities purchased. Each finder's warrant entitles the holder to purchase one common share at \$0.10 per common share until April 25, 2020.

On May 14, 2018, the Company issued 500,000 common shares to the vendor of the Alberta Zinc property pursuant to the option agreement dated March 10, 2018.

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11. CAPITAL STOCK (continued):

a) Common shares (continued):

On June 5, 2019, the Company completed an \$8,000,160 private placement of 28,572,000 subscription receipts at a price of \$0.28 per subscription receipt. Each subscription receipt was automatically convertible into one unit (a "Unit") of the Company in connection with the acquisition of the initial 51% interest of the Marathon Property. Each Unit was comprised of one common share and one-half of one share purchase warrant. Each full warrant entitled the holder to purchase one common share for a period of 24 months after escrow release conditions were satisfied at a price of \$0.45. The gross proceeds of the private placement, less 50% of the underwriters' fees and all the expenses of the private placement, were initially held in escrow.

On July 9, 2019, upon confirmation that the escrow release conditions were satisfied, the Company received the private placement proceeds held in escrow, less 50% of the underwriters' fees and the expenses. The 28,572,000 outstanding subscription receipts were converted into an aggregate of 28,572,000 common shares and 14,286,000 common share purchase warrants, each such warrant exercisable for one common share at a price of \$0.45 per share until July 9, 2021. The Company paid a cash commission on 7% of the gross proceeds of the private placement and issued compensation options equal to 7% of the total number of subscription receipts issued pursuant to the private placement and conditional upon the satisfaction of escrow release conditions. Each compensation option is exercisable to purchase one Unit at the issue price of \$0.28 for a period of 24 months from the escrow release date. The total share issue cost was \$754,383.

On July 10, the Company issued 11,053,795 common shares at a deemed price of \$0.2714 per common share (totalling \$3,000,000) for the acquisition of 51% of the Marathon property.

On August 29, 2019, the Company completed the first tranche of a non-brokered private placement through the issuance of 5,750,000 flow-through common shares at a price of \$0.315 per flow-through share for gross proceeds of \$1,811,250. On September 6, 2019, the Company completed a second tranche of the non-brokered private placement raising additional proceeds of \$131,500 through issuance of 417,460 flow-through common shares on the same terms. The aggregate gross proceeds were \$1,942,750. A cash commission of \$1,575 was paid to a finder. The total share issue cost was \$21,575. Flow-through funds must be used for qualifying exploration expenditures. A liability of \$1,942,750 was incurred on the flow-through shares issued which the Company renounced to the flow through shareholders and recognized \$129,611 in the statement of loss and comprehensive loss as a deferred tax recovery in 2019.

On February 13, 2020, the Company closed a bought deal private placement of 19,231,250 units and a concurrent non-brokered private placement of 1,346,153 units, for an aggregate of 20,577,403 units at a price of \$0.52 per unit for aggregate total gross proceeds of \$10,700,250. Each unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at \$0.75 for a period of 24 months.

The underwriters received cash compensation of 6% of the gross proceeds on 9,615,864 units, and 4% of the gross proceeds on 9,615,386 units. There was no commission paid on the non-brokered private placement of 1,346,153 units. In addition, the underwriters received compensation options equal to 6% on 9,615,864 units and 4% on 9,615,386 units. There were no compensation options issued on the non-brokered private placement of 1,346,153 units. Each compensation option is exercisable into one common share of the Company for a period of 24 months from closing at an exercise price of \$0.52.

During the first quarter ended March 31, 2020, there were 966,000 finders warrants exercised at \$0.10, 8,000,000 warrants exercised at \$0.20, 634,488 finders options exercised at \$0.28 and 4,876,857 warrants exercised at \$0.45 for a total of 14,477,345 common shares issued. The Company received proceeds of \$4,068,842 (2019 - nil). In addition, the Company issued 246,000 common shares upon the exercise of 46,500 options at \$0.15, 100,000 at \$0.10 and 100,000 at \$0.30 for proceeds in the amount of \$46,975 (2019 - nil).

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11. CAPITAL STOCK (continued):

b) Warrants:

The following table summarizes warrants that have been issued and exercised during the first quarters ended March 31, 2019 and 2020:

	Number of warrants	Exercise price	Expiry date
Outstanding, December 31, 2018 and March 31, 2019	12,854,000	\$0.19 ⁽³⁾	
Warrants issued ⁽¹⁾	14,286,000	\$0.45	July 9, 2021
Finders options ⁽¹⁾	2,000,040	\$0.28	July 9, 2021
Warrants exercised	(315,000)	\$0.10	
Outstanding, December 31, 2019	28,825,040	\$0.33 ⁽⁴⁾	
Warrants issued ⁽²⁾	10,288,701	\$0.75	February 13, 2022
Finders options ⁽²⁾	961,567	\$0.52	February 13, 2022
Warrants issued ⁽¹⁾	183,670	\$0.45	July 9, 2021
Warrants issued ⁽¹⁾	133,574	\$0.45	July 9, 2021
Warrants exercised	(8,000,000)	\$0.20	
Warrants exercised	(4,876,857)	\$0.45	
Finders warrants exercised	(966,000)	\$0.10	
Finders options exercised	(634,488)	\$0.28	
Outstanding, March 31, 2020	25,915,207	\$0.25 ⁽³⁾	

⁽¹⁾ Pursuant to the private placement completed on July 9, 2019:

- 14,286,000 common share purchase warrants were issued. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.45 until July 9, 2021.
- 2,000,040 finders options were issued. Each finders option entitles the holder to purchase a unit consisting of a common share and a half unit until July 9, 2021.
- The fair value of the common share purchase warrants and finders options have an estimated grant date fair value of \$3,428,640 and \$720,014 respectively which was estimated using the Black Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.64%	Expected volatility ^(a)	193%
Dividend yield	nil	Expected life-units	2 years

^(a) Based on a combination of historical volatility and that of comparable companies.

- On January 31, 2020, 183,670 common share purchase warrants were issued upon exercise of finders options. Each warrant entitles the holder to purchase one additional common share at a price of \$0.45 until July 9, 2021.
- The fair value of the common share purchase warrants and finders options have an estimated grant date fair value of \$84,488 which was estimated using the Black Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.47%	Expected volatility ^(a)	152%
Dividend yield	nil	Expected life-units	1.44 years

^(a) Based on historical volatility.

- On February 28, 2020, 133,574 common share purchase warrants were issued upon exercise of finders options. Each warrant entitles the holder to purchase one additional common share at a price of \$0.45 until July 9, 2021.

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11. CAPITAL STOCK (continued):

b) Warrants (continued):

- The fair value of the common share purchase warrants and finders options have an estimated grant date fair value of \$36,065 which was estimated using the Black Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.19%	Expected volatility ^(a)	151%
Dividend yield	nil	Expected life-units	1.36 years

^(a) Based on historical volatility.

⁽²⁾ Pursuant to the private placement completed on February 13, 2020:

- 10,288,701 common share purchase warrants were issued. Each warrant entitles the holder to purchase one additional common share at a price of \$0.75 until February 13, 2022.
- 961,567 finders options were issued. Each finders option entitles the holder to purchase a common share until February 13, 2022.
- The fair value of the common share purchase warrants and finders options have an estimated grant date fair value of \$4,115,480 and \$413,474 respectively which was estimated using the Black Scholes option pricing model and the following assumptions:

Risk-free interest rate	1.51%	Expected volatility ^(a)	151%
Dividend yield	nil	Expected life-units	2 years

^(a) Based on historical volatility.

⁽³⁾ Weighted average exercise price

During the three-month period ended March 31, 2020, there were 966,000 finders warrants exercised at \$0.10 with a fair value of \$73,180, 8,000,000 warrants exercised at \$0.20 with a fair value of \$562,439, 634,488 finders options exercised at \$0.28 with a fair value of \$228,415 and 4,876,857 warrants exercised at \$0.45 with a fair value of \$1,170,446. The weighted average price of the common shares on the warrant exercise dates was \$0.58.

c) Stock Option Plan:

On May 9, 2018, the Company adopted an incentive Stock Option Plan (the "Plan"). Under the Plan, options are non-assignable and may be granted for a term not exceeding five years. The total number of common shares that may be reserved for issuance may not exceed ten percent of outstanding common shares at the grant date and may not exceed five percent for any one person in any 12-month period. The exercise price of an option may not be lower than the discounted market price of the common shares on the Canadian Securities Exchange. The options are non-transferable. Outstanding options may be adjusted by the Board in certain events, as to exercise price and number of common shares, to prevent dilution or enlargement.

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11. CAPITAL STOCK (continued):

c) Stock Option Plan (continued):

The following table summarizes options that have been granted and exercised the first quarters ended March 31, 2019 and 2020:

	Grant / Exercise date	Number of options	Exercise price	Expiry date
<u>Outstanding, December 31, 2018 and March 31, 2019</u>				
		3,300,000	\$0.10 ⁽⁶⁾	
Options granted ⁽¹⁾	July 16	3,700,000	\$0.30	July 6, 2024
Options granted ⁽²⁾	August 7	200,000	\$0.30	August 7, 2024
Options granted ⁽³⁾	September 6	200,000	\$0.35	September 6, 2024
Options exercised	August 14	(15,500)	\$0.15	
Options exercised	August 30	(24,500)	\$0.15	
Options exercised	September 11	(10,000)	\$0.15	
Options exercised	September 16	(3,500)	\$0.15	
<u>Outstanding, December 31, 2019</u>				
		7,346,500	\$0.30 ⁽⁶⁾	
Options granted ⁽⁴⁾	February 5	500,000	\$0.65	February 5, 2025
Options granted ⁽⁵⁾	March 18	750,000	\$0.45	March 18, 2025
Options exercised	January 8	(46,500)	\$0.15	
Options exercised	January 31	(100,000)	\$0.10	
Options exercised	February 18	(100,000)	\$0.30	
<u>Outstanding, March 31, 2020</u>				
		8,350,000	\$0.34 ⁽⁶⁾	

The fair value of options granted under the Plan is measured on the date of grant using the Black-Scholes pricing model and expensed to net income (loss) using the following inputs and assumptions at the measurement date:

	July 16, 2019 ⁽¹⁾	August 7, 2019 ⁽²⁾	September 6, 2019 ⁽³⁾	February 5, 2020 ⁽⁴⁾	March 18, 2020 ⁽⁵⁾ Tranche 1	March 18, 2020 ⁽⁵⁾ Tranche 2
Number of options	3,700,000	200,000	200,000	500,000	375,000	375,000
Exercise price (\$)	0.30	0.30	0.35	0.65	0.45	0.45
Market Price (\$)	0.27	0.27	0.30	0.63	0.34	0.34
Expected volatility (%) [*]	212	212	185	152	152	152
Risk-free interest rate (%)	1.51	1.20	1.49	1.41	0.73	0.73
Expected life (years)	5	5	2	5	2.75	3
Dividend yield (%)	-	-	-	-	-	-
Fair value of options	\$ 999,000	\$ 54,000	\$ 48,000	\$ 285,000	\$ 97,500	\$ 101,250

^{*}Based on the volatility of comparable companies in 2019 and on historical volatility in 2020.

⁽⁵⁾ The 750,000 options granted on March 31, 2020 are subject to a vesting schedule; 375,000 vesting in 6 months and 375,000 vesting in 12 months.

⁽⁶⁾ Weighted average exercise price

During the quarter ended March 31, 2020, a total of 46,500 options were exercised at \$0.15, 100,000 were exercised at \$0.10 and 100,000 were exercised at \$0.30 (2019 - nil). The fair value of options exercised during the period is \$40,783. The weighted average price of the common shares on the option exercise dates was \$0.56.

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12. RECEIVABLES:

The Company's receivables arise from two main sources: harmonized sales tax ("HST") due from the Canadian government and amounts receivable pursuant to the Clear Lake Assignment Agreement.

Pursuant to the Clear Lake Assignment Agreement with Eastern Zinc Inc., \$50,000 in cash and 5,010,000 common shares of Eastern Zinc were due to the Company on October 1, 2019 which was subsequently extended to October 1, 2020. The additional cash consideration is recorded as a receivable and the shares to be received are recorded at fair value. As at March 31, 2020, the shares receivable were valued based on the 30-day volume weighted average price less a 18.38% discount for a value of \$114,262 (December 31, 2019 - \$85,421) The gain on the shares receivable for the fair value adjustment at March 31, 2020 was \$28,841 (March 31, 2019 - \$63,651).

The amounts receivable are as follows:

	March 31, 2020	December 31, 2019
HST receivable	418,150	405,489
Eastern Zinc shares receivable	114,262	85,421
Eastern Zinc cash	50,000	50,000
Total	\$ 582,412	\$ 540,910

13. COMMITMENTS AND CONTRACTUAL OBLIGATIONS:

On February 20, 2019, the Company co-signed a lease for office space commencing on May 1, 2019 for a term of six years and six months. The Company has a monthly commitment of \$10,687 for its share of the basic and additional rent. Commitments pursuant to various property option agreement are outlined under notes 6 and 15.

14. DEBT:

Debt consists of unsecured debt plus accrued interest owing to a former officer of Darnley Bay Resources Limited (renamed Pine Point Mining Limited) and assigned to the Company on February 23, 2018. The debt bears interest at 10% and is repayable in monthly blended principal and interest payments of \$1,000. Payments were suspended on March 30, 2012, however the Company continues to accrue interest.

15. SUBSEQUENT EVENTS:

- a) During the period from April 1 to May 21, 2020, there were 48,000 finders warrants exercised at \$0.10 and 3,525,000 warrants exercised at \$0.20 for total proceeds of \$709,800.
- b) On April 1, 2020, the Company granted a six-month extension (to October 1, 2020) to Eastern Zinc on the receivable \$50,000 and 1,670,000 common shares due to the Company in relation to the Clear Lake Assignment Agreement.
- c) On April 20, 2020, there were 2,850,000 options granted exercisable at \$0.52 for five years.