

GENERATION MINING LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 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 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

"Halina McGregor" (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 and six month periods ended June 30, 2019 and the period from January 11 (incorporation) to and three months ended June 30, 2018 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	
	June 30, 2019	December 31, 2018
ASSETS		
CURRENT		
Cash	\$ 237,369	\$ 1,167,899
Restricted cash (note 10 a) and 14)	7,317,554	-
Receivables (note 11)	491,240	531,744
Prepaid expenses and deposits	101,240	49,226
Marketable securities (note 7)	1,008,000	1,502,550
	9,155,580	3,251,419
NON-CURRENT		
Right-of-use asset (note 3 and 8)	262,277	-
TOTAL ASSETS	\$ 9,417,857	\$ 3,251,419
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 398,420	\$ 183,388
Debt (note 13)	171,747	163,405
Lease liability (note 3 and 8)	24,941	-
	595,108	346,793
NON-CURRENT		
Lease liability (note 3 and 8)	237,108	-
TOTAL LIABILITIES	832,216	346,793
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 10 a)	3,270,283	3,237,812
SUBSCRIPTION RECEIPTS FOR CAPITAL STOCK (note 10 a)	7,261,054	-
RESERVE FOR WARRANTS (note 10 b)	825,011	839,007
RESERVE FOR SHARE-BASED PAYMENTS (note 10 c)	320,626	320,626
DEFICIT	(3,091,333)	(1,492,819)
TOTAL SHAREHOLDERS' EQUITY	8,585,641	2,904,626
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 9,417,857	\$ 3,251,419

Nature of operations and going concern (note 1)
Commitments and contractual obligations (note 6 and 12)
Subsequent events (note 14)

Approved on behalf of the Board of Directors on August 22, 2019

(signed) "Jamie Levy", Director

(signed) "Brian Jennings", 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		Six months ended	January 11, 2018 to
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
EXPENSES				
Acquisition, evaluation and exploration expenditures (note 6)	\$ 7,425	\$ 685,577	\$ 216,303	\$ 2,053,305
Share-based compensation	-	287,464	-	287,464
Professional fees	180,552	117,611	239,164	142,611
Management and corporate administration services	107,978	74,377	196,056	87,715
Shareholder and investor communications	289,150	40,957	305,238	51,724
Occupancy cost (note 8)	27,826	20,377	52,012	27,170
Interest (note 8)	7,523	3,822	11,642	5,075
Operating loss	(620,454)	(1,230,185)	(1,020,414)	(2,655,064)
Loss on marketable securities and receivable marketable securities (note 7 and 11)	(714,200)	-	(578,100)	-
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (1,334,654)	\$ (1,230,185)	\$ (1,598,514)	\$ (2,655,064)
Loss per share:				
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)	\$ (0.04)	\$ (0.11)
Weighted average number of common shares outstanding	45,573,475	39,162,242	45,521,991	24,202,817

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 CHANGES IN SHAREHOLDERS' EQUITY (Expressed in Canadian dollars)

	Capital stock		Reserves for				Total Equity
	Shares	Amount	Subscription receipts	Warrants	Share- based payments	Accumulated deficit	
Balance, January 11, 2018	1	\$ 1	-	-	-	-	\$ 1
Issued pursuant to the Arrangement (note 1)	15,969,934	1,533,115	-	-	-	-	1,533,115
Cancellation of incorporation share (note 1)	(1)	(1)	-	-	-	-	(1)
Issued under property option agreements	3,500,000	350,000	-	-	-	-	350,000
Issued for cash under private placement	26,000,000	2,600,000	-	-	-	-	2,600,000
Flow through share premium	-	(106,767)	-	-	-	-	(106,767)
Fair value ascribed to warrants issued in private placement	-	(834,227)	-	834,227	-	-	-
Fair value ascribed to broker warrants issued in private placement	-	(108,829)	-	108,829	-	-	-
Share issue cost	-	(100,235)	-	(75,665)	-	-	(175,900)
Fair value of options granted	-	-	-	-	287,464	-	287,464
Net loss	-	-	-	-	-	(2,655,064)	(2,655,064)
Balance, June 30, 2018	45,469,934	\$ 3,333,057	-	\$ 867,391	\$ 287,464	\$ (2,655,064)	\$ 1,832,848
Balance, December 31, 2018	45,469,934	\$ 3,237,812	-	\$ 839,007	\$ 320,626	\$ (1,492,819)	\$ 2,904,626
Subscription receipts for common shares and warrants (note 10 a)	-	-	8,000,160	-	-	-	8,000,160
Subscription receipts issue cost	-	-	(739,106)	-	-	-	(739,106)
Issued on exercise of broker warrants	184,750	18,475	-	-	-	-	18,475
Fair value ascribed to broker warrants exercised	-	13,996	-	(13,996)	-	-	-
Net loss	-	-	-	-	-	(1,598,514)	(1,598,514)
Balance, June 30, 2019	45,654,684	\$ 3,270,283	\$ 7,261,054	\$ 825,011	\$ 320,626	\$ (3,091,333)	\$ 8,585,641

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)

	Six months ended June 30, 2019	January 11, 2018 to June 30, 2018
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net loss for the period	\$ (1,598,514)	\$ (2,655,064)
Add items not affecting cash:		
Mineral properties transferred from Arrangement	-	1,216,848
Share-based compensation	-	287,464
Shares issued for acquisition	-	350,000
Interest accrued but not paid	8,342	5,075
Unrealized loss on marketable securities	494,550	-
Changes in non-cash working capital:		
Receivables	40,504	(69,977)
Prepaid expenses and deposits	(52,191)	-
Accounts payable and accrued liabilities	215,032	195,125
Accretion on lease liability	6,902	-
	<u>(885,375)</u>	<u>(670,529)</u>
CASH PROVIDED BY FINANCING ACTIVITIES:		
Proceeds from issuance of subscription receipts	8,000,160	-
Subscription receipts issue cost	(739,106)	-
Proceeds from issuance of common shares	-	2,600,000
Proceeds from exercise of broker warrants	18,475	-
Share issue cost	-	(175,900)
Cash transferred from Arrangement	-	381,875
Repayment of lease liability	(7,130)	-
	<u>7,272,399</u>	<u>2,805,975</u>
CASH PROVIDED BY FINANCING ACTIVITIES	7,272,399	2,805,975
INCREASE IN CASH	6,387,024	2,135,446
CASH AT BEGINNING OF PERIOD	1,167,899	1
CASH AT END OF PERIOD	\$ 7,554,923	\$ 2,135,447
Cash comprised of:		
Cash	237,369	2,135,447
Restricted cash	7,317,554	-

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 AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN:

Generation Mining Limited (“Generation Mining” or the “Company”) is a base and precious metal exploration and development company with various property interests throughout Canada. The Company was incorporated on January 11, 2018 under the Business Corporations Act (Ontario). 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.

On December 15, 2017, Pine Point Mining Limited (“Pine Point”) entered into an arrangement agreement (the “Agreement”) with Osisko Metals Incorporated (“Osisko Metals”) pursuant to which Osisko Metals acquired, by way of court approved plan of arrangement (the “Arrangement”), all of the issued and outstanding common shares of Pine Point, including common shares that became outstanding after the date of the execution of the Arrangement but before the effective time of the Arrangement upon the exercise of outstanding share options and warrants of Pine Point.

Under the Arrangement, Pine Point shareholders received, in exchange for each of their existing common shares of Pine Point: (i) 0.271 of a common share of Osisko Metals, (ii) 0.0677 of a common share purchase warrant of Osisko Metals, and (iii) one common share of Generation Mining; consolidated on a 10:1 basis under the Arrangement. The Company was formed for the sole purpose of participating in the Arrangement and had not carried on any active business other than in connection with the Arrangement and related matters. On February 16, 2018, Pine Point shareholders approved the Arrangement which was subsequently finalized on February 23, 2018. Pine Point shareholders received in aggregate 15,969,934 common shares of Generation Mining valued at \$0.096 per share for a total consideration of \$1,533,114.

Pursuant to the Arrangement all exploration assets owned by Pine Point other than the Pine Point Project located in the Northwest Territories, as well as certain other assets and liabilities of Pine Point, were transferred to Generation Mining. The shares of Generation Mining were distributed to Pine Point shareholders under the terms of the Arrangement, the Company became a reporting issuer in British Columbia, Alberta, Nova Scotia, Northwest Territories, Yukon and Nunavut, and its shares became eligible for trading on the CSE on May 9, 2018. The primary business objective of the Company is to explore and further develop its mineral properties, and to continue to increase its portfolio of base and precious metal property assets through acquisition.

On May 28, 2019, the Company incorporated a wholly owned subsidiary, Generation PGM Inc., to operate the Marathon property joint venture (note 14 a).

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.

The unaudited interim condensed consolidated financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The financial statements do not reflect any adjustments that might be necessary to the carrying value of the assets and liabilities which might be significant if the Company is unable to continue as a going concern.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued):

As at June 30, 2019, the Company has a working capital of \$234,918 (excluding marketable securities and restricted cash) (December 31, 2018 - \$1,402,076) and an accumulated deficit of \$3,091,562 (December 31, 2018 - \$1,492,819). Management is continuously evaluating the market and financing opportunities. The ability of the Company to continue as a going concern is dependent on the Company having access to financing to meet its operational cash needs. It is not possible to determine with any certainty the success or adequacy of these initiatives.

2. BASIS OF PREPARATION:

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These unaudited interim condensed consolidated financial statements were authorized and approved for issue by the Board of Directors on August 22, 2019.

Basis of Measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities which are measured at their fair values, as explained in the relevant accounting policies.

Functional and Presentation Currency

The interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

Use of Estimates and Judgement

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. 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 AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES:

Consolidation

These interim condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Generation PGM Inc. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company's subsidiary is wholly owned and all inter-company balances, transactions, including income and expenses arising from inter-company transaction are eliminated in preparing the consolidated financial statements.

Accounting Pronouncement

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* which requires the recognition of lease contracts, with exceptions for certain short-term leases and leases of low-value assets, on a lessee's statement of financial position as a 'right-of-use asset' and a lease liability reflecting future lease payments. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. The Company has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. The Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of the initial application would be accounted for in the same way as short-term leases. The lease payments associated with these leases are charged directly to the statement of comprehensive income (loss). As a result there was no initial adjustment to retained earnings upon adoption of IFRS 16.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company has included the estimated extension of their leases in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Right-of-use assets would be depreciated on a straight line basis over the length of the term as with property and equipment. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the statement of comprehensive income (loss).

The incremental borrowing rate used to measure the opening lease liability on January 1, 2019 was 15 percent. The Company entered into an office lease on May 1, 2019 (note 12). Accordingly, the Company recognised a total lease liability of \$269,179 at the inception of the lease. A corresponding right-of-use asset has also been recognised which was measured at an amount equal to the lease liability (note 8).

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

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 credit risk on the receivables is reduced as the majority of the amount owing is in shares. The Company's maximum exposure to credit risk as at June 30, 2019 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 June 30, 2019, the Company has current assets of \$9,155,580 (December 31, 2018 - \$3,251,419) to cover current liabilities of \$595,108 (December 31, 2018 - \$346,793). The current assets include restricted cash, marketable securities and receivables (note 7 and 11).

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.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

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

Fair Value

The carrying value of cash, accounts payable and accrued liabilities are considered to be representative of their fair value due to their short-term nature. The fair value of long-term debt is not considered to be materially different from its carrying value. Investments and receivables are recorded at fair value as of June 30, 2019 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 June 30, 2019, the Company's capital consists of shareholder's equity in the amount of \$8,585,641 (December 31, 2018 - \$2,904,626). 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.

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:

Darnley Bay Anomaly, Northwest Territories: The Company holds 100% of the rights to a mineral concession covering the Inuvialuit Settlement Region's 7(1)(a) 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 13 jointly held mineral leases on the Parry Peninsula northeast of Paulatuk in the Inuvialuit Settlement Region's 7(1)(b) 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 cooperate to advance exploration on the property with Diadem currently responsible for all expenses relating to the project.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Davidson, British Columbia: The Company has an option to acquire a 100% interest in a property hosting a molybdenum-tungsten deposit which consists of six mineral leases and two mining claims covering an area of 2,087 hectares. The option agreement was signed on April 1, 2016 and payments totalling \$350,000 were made over the periods prior to June 30, 2019. There is an ongoing commitment of \$100,000 on each anniversary of the agreement until commercial production is achieved or the agreement is terminated. Upon commercial production, the vendor will be entitled to a net smelter return royalty of 3%.

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 consisting of 121 claims covering approximately 2,479 hectares. Agreement payments and work commitments of \$23,320 were made in the period from January 11, 2018 to October 1, 2018. On October 1, 2018, the Company entered into an Assignment, Assumption and Amending 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 4,200,000 common shares of Eastern Zinc to the Company. The shares were subject to a hold period ended on February 1, 2019. An additional \$50,000 in cash will be paid and 1,670,000 common shares of Eastern Zinc will be issued to the Company on October 1, 2019. On October 19, 2018, Eastern Zinc undertook a split of its issued and outstanding shares on three shares for one existing share basis. At June 30, 2019, the Company held 12,600,000 common shares of Eastern Zinc valued at \$1,008,000 and an additional 5,010,000 common shares valued at \$363,977 are receivable on October 1, 2019 (note 7 and 11).

Nak, British Columbia: The Company has an option to earn a 100% interest in a copper-gold project consisting of 14 mineral claims over 1,603 hectares. 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 vendor for \$1.5 million. There has been \$45,000 in cash payments and a \$33,942 work commitment made as at June 30, 2019. Continuing commitments include \$15,000 on the August 31, 2019 anniversary of signing the option agreement, \$30,000 on the fourth anniversary and \$60,000 on the fifth anniversary. Bonus payments to the vendor will consist of \$25,000 on 1,500 metres of drilling and a further \$25,000 upon a total of 3,000 metres of drilling on or before December 31, 2022. The vendor is also entitled to an additional payment \$125,000 and a minimum 250,000 common shares (or cash equivalent) in the capital of the Company will be issued upon completion of a further 7,000 metres of drilling on or before December 31, 2022. The Company has a work commitment balance of \$466,058 to be made prior to August 31, 2019 (note 14 d).

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 potential to host lead-zinc-silver-copper mineralization in central Nova Scotia consisting of nine mineral licenses totalling 11,171 hectares. Pursuant to the agreement, the Company issued 3,000,000 common shares valued at \$191,400 to the vendors (note 9). In May, 2018, the Company acquired nine additional mineral licenses covering an area of 9,504 hectares for a total area of 20,675 hectares at June 30, 2019.

GENERATION MINING LIMITED

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2019 (Expressed in Canadian dollars)

6. MINERAL PROPERTIES AND AGREEMENTS (continued):

Alberta Zinc, Alberta: On May 10, 2018, the Company entered into an option agreement to acquire a 100% interest in the Alberta Zinc project near High Level, Alberta covering 60,000 hectares and consisting of eight mineral rights permits. 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 June 30, 2019. A further payment of \$50,000 (in cash or shares) was required on the first anniversary date. The vendor has agreed to postpone the first anniversary payment and has confirmed that the Company is not in breach of the agreement. There is an additional \$200,000 payable before the second anniversary of the agreement. The property is subject to a 2% gross metals royalty, of which the Company can purchase half at any time for \$1 million.

Below are the acquisition, evaluation and exploration expenditures for the three and six months ended June 30, 2019 compared with the equivalent periods in 2018:

	Three months ended		Six months ended	January 11, 2018 to
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Darnley Bay Anomaly	-	176,279	24,806	177,779
Davidson	-	37,285	133,191	176,665
Nak	-	2,042	8,429	2,042
Clear Lake	-	-	-	10,000
Rawdon Zinc (formerly Kennetcook)	7,245	404,245	23,859	404,245
Alberta Zinc	-	65,726	26,018	65,726
Total expenditures in the period	\$ 7,425	\$ 685,577	\$ 216,303	\$ 836,457
Transfer of mineral properties	-	-	-	1,216,848
Total mineral property expenditures	\$ 7,425	\$ 685,577	\$ 216,303	\$ 2,053,305

Below are the cumulative mineral property expenditures:

	December 31, 2018	Acquisition, Evaluation and Exploration	June 30, 2019
Darnley Bay Anomaly	552,135	24,806	576,941
Davidson	181,289	133,191	314,480
Nak	28,013	8,429	36,442
Clear Lake	23,320	-	23,320
Rawdon Zinc (formerly Kennetcook)	524,899	23,859	548,758
Alberta Zinc	153,757	26,018	179,775
Total expenditures in the period	\$ 1,463,413	\$ 216,303	\$ 1,679,716
Transfer of mineral properties	1,216,848	-	1,216,848
Total cumulative mineral property expenditures	\$ 2,680,261	-	\$ 2,896,564

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7. MARKETABLE SECURITIES:

In consideration of the assignment of the Clear Lake option agreement dated October 1, 2018, the Company holds 12,600,000 common shares of Eastern Zinc Corp. The Company may, depending on market and other conditions, or as future circumstances may dictate, from time to time, on an individual or joint basis, increase or dispose of some or all of the existing or additional securities it holds or will hold through market transactions, private agreements, or otherwise.

As at June 30, 2019, the Company has 18.7% (December 31, 2018 - 20.6%) 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 June 30, 2019, the Eastern Zinc common shares were valued at \$1,008,000 based on a 30-day volume weighted average price (December 31, 2018 - \$1,502,550). A fair value adjustment (loss) of \$567,000 and \$494,550 respectively in the three and six month periods ended June 30, 2019 (2018 - \$nil) was included in the statement of comprehensive loss for the change in the fair value of the investment in Eastern Zinc.

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

	June 30, 2019	December 31, 2018
Right-of-use asset - office		
Opening balance	-	-
Recognized on adoption of IFRS 16	269,179	-
Less: depreciation	(6,902)	-
	<u>\$ 262,277</u>	<u>\$ -</u>
Lease liability		
Lease liability	262,049	-
Less: current portion	(24,941)	-
Classified as non-current lease liability	<u>\$ 237,108</u>	<u>\$ -</u>

As a result of adopting IFRS 16, the Company recognized depreciation on the right-of-use asset in the amount of \$6,902 in the three and six months ended June 30, 2019, as occupancy costs in the consolidated statement of loss. In the same periods, the Company recognized repayment of the lease liability in the amount of \$7,130 through occupancy cost and interest expense. As a result, the lease liability at June 30, 2019 was \$262,049 (2018 - \$nil).

9. RELATED PARTY TRANSACTIONS:

Key management of the Company includes its directors, Chief Executive Officer and Chief Financial Officer. Compensation to key management is paid in the form of cash and share-based payments (note 10 c).

During the three and six month periods ended June 30, 2019, key management of the Company charged consulting fees in the amount of \$111,950 and \$206,300, respectively (three months ended June 30, 2018 - \$17,325 and January 11, 2018 to June 30, 2018 - \$52,500).

On March 16, 2018, two directors of the Company acted as vendors in the Claims Acquisition Agreement for the Rawdon Zinc (formerly Kennetcook) property, through companies under their control. Under the terms of the Claims and Acquisition Agreement, each director received 750,000 common shares of the Company.

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9. RELATED PARTY TRANSACTIONS (continued):

As at June 30, 2019, accounts payable include \$69,685 (December 31, 2018 - \$30,955) due to the related parties mentioned above.

Management believes these transactions are in the normal course of business and are measured at the fair value.

10. CAPITAL STOCK:

a) Common shares:

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

On January 11, 2018, the Company issued one issuer share.

On February 23, 2018, as a result of the Arrangement agreement, the issuer share was cancelled and each of the common shares of Pine Point were exchanged for one common share of the Company which were consolidated on a 10:1 basis resulting in a total of 15,969,934 common shares issued to shareholders of Pine Point. The issued shares were independently valued at \$0.096 per share.

On April 9, 2018, the Company issued an aggregate of 3,000,000 common shares to the vendors of the Kennetcook Property pursuant to the Claims Acquisition Agreement dated March 16, 2018.

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 at 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 at 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.

During the three and six month periods ended June 30, 2019, the Company issued 184,750 common shares upon the exercise of 184,750 broker warrants issued on April 20, 2018 at \$0.10. The Company received proceeds of \$18,475 from the warrant exercise.

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10. CAPITAL STOCK (continued):

a) Common shares (continued):

On June 5, 2019, the Company completed an \$8,000,160 bought deal 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 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 of the Company. Each full warrant entitled the holder to purchase one common share for a period of 24 months after the escrow release conditions were satisfied at a price of \$0.45. The Company paid the underwriters a cash commission of 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 the escrow release conditions, each such compensation option was exercisable to purchase one unit at the issue price of \$0.28 for a period of 24 months from the escrow release date. The gross proceeds of the private placement, less 50% of the underwriters' fees and all of the expenses of the private placement, were held in escrow upon satisfaction of the escrow release conditions. The net proceeds of \$7,261,054 from the private placement of subscription receipts were held in escrow as at June 30, 2019 (note 14 a).

b) Warrants:

On April 20, 2018, there were 11,275,000 warrants at \$0.20 and 1,299,000 broker warrants at \$0.10 issued and exercisable for up to two years. The fair value of the warrants is recorded as \$792,693 and was estimated on the date of measurement under Black Scholes. The fair value of the broker warrants is \$98,408 and is considered a share issue cost.

On April 25, 2018, there were 250,000 warrants at \$0.20 and 30,000 broker warrants at \$0.10 issued and exercisable for up to two years. The fair value of the warrants is recorded as \$17,571 and was estimated on the date of measurement under Black Scholes. The fair value of the broker warrants is \$2,272 and is considered a share issue cost.

The fair value of each warrant was recorded in reserve for warrants using the following inputs and assumptions at the measurement date:

	April 20, 2018	April 20, 2018	April 25, 2018	April 25, 2018
Number of warrants	11,275,000	1,299,000	250,000	30,000
Exercise price (\$)	\$ 0.20	\$ 0.10	\$ 0.20	\$ 0.10
Market Price (\$)	\$ 0.09	\$ 0.09	\$ 0.09	\$ 0.09
Expected volatility (%)*	202	202	202	202
Risk-free interest rate (%)	1.93	1.93	1.93	1.93
Expected life (years)	2.00	2.00	2.00	2.00
Dividend yield (%)	-	-	-	-
Fair value of warrants	\$ 792,693	\$ 98,408	\$ 17,571	\$ 2,272

*Based on volatility of comparable companies.

During the three and six month periods ended June 30, 2019, a total of 184,750 (2018 - nil) broker warrants were exercised at \$0.10. The fair value of warrants exercised in the six month period is \$13,996.

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10. CAPITAL STOCK (continued):

b) Warrants (continued):

The following table summarizes warrants that have been issued during the period from incorporation on January 11, 2018 to June 30, 2018 and the six month period ended June 30, 2019:

	Number of warrants	Exercise price	Expiry date
Outstanding, January 11, 2018	0		
Warrants issued during the period	11,275,000	\$ 0.20	April 20, 2020
	1,299,000	\$ 0.10	April 20, 2020
	250,000	\$ 0.20	April 25, 2020
	30,000	\$ 0.10	April 25, 2020
Outstanding, June 30, 2018 and December 31, 2018	12,854,000		
Broker warrants exercised	(184,750)	\$0.10	
Outstanding, June 30, 2019	12,669,250		

c) Stock Options (continued):

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.

There were no options granted, cancelled or exercised in the three and six month periods ended June 30, 2019. There were 3,000,000 options granted in the three and six month periods ended June 30, 2018. At December 31, 2018 and June 30, 2019, there were a total of 3,300,000 options to purchase common shares granted.

The fair value of options granted under the Plan is estimated on the date of grant using Black-Scholes and expensed to net income. The fair value assigned to options issued on May 11, 2018 was \$295,183 and for options granted on November 21, 2018 the value was \$25,443 using the following inputs and assumptions at the measurement date:

	May 11, 2018	November 21, 2018
Number of options	3,000,000	300,000
Exercise price (\$)	0.10	0.15
Market Price (\$)	0.10	0.11
Expected volatility (%)*	214	196
Risk-free interest rate (%)	2.21	2.23
Expected life (years)	5.00	2.00
Dividend yield (%)		
Fair value of options	\$ 295,183	\$ 25,443

*Based on the volatility of comparable companies

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11. RECEIVABLES:

As part of the sale of the Clear Lake property on October 1, 2018, Eastern Zinc Inc. has agreed to pay additional consideration of \$50,000 and 5,010,000 shares of Eastern Zinc on October 1, 2019. The additional consideration has been set up as a receivable and the shares to be received recorded at fair value. As at June 30, 2019, the shares were valued based on the 30-day volume weighted average price less a 9.19% discount or \$363,977 (December 31, 2018 - \$447,526). The loss on the receivable in the three and six month period ended June 30, 2019 was \$147,200 and \$83,550 (2018 - \$nil), respectively. A total receivable of \$413,977 (December 31, 2018 - \$497,526) is related to the Clear Lake option assignment.

12. COMMITMENTS AND CONTRACTUAL OBLIGATIONS:

In the period from January 11, 2018 to June 30, 2018, the Company's office lease consisted of a monthly commitment of \$8,889 including basic and additional rent.

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.

13. 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.

14. SUBSEQUENT EVENTS:

- a) On July 9, 2019, upon confirmation that the escrow release conditions were satisfied, the Company received the private placement funds held in escrow, less 50% of the underwriters' fees and the expenses of the private placement. 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.

On July 10, 2019, the Company, through its wholly owned subsidiary, 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. with respect to the property. The property consists of 45 mining leases (8,450 hectares) and 856 contiguous mining claims (8,957 hectares). On closing, the Company paid \$2,900,000 in cash (in addition to the \$100,000 previously paid upon signing the LOI) and issued 11,053,795 common shares of the Company at a deemed price of \$0.2714 per common share (totalling \$3,000,000), for a total consideration payment of \$6,000,000. The Company has the right to increase its interest in the property and joint venture to 80% by spending \$10,000,000 in exploration and development expenditures and preparing a preliminary economic assessment within four years of closing. 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 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, and be 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 up 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 and the property (unless its interest in the joint venture reduces to a minority interest) and has assumed all liabilities of the property.

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14. SUBSEQUENT EVENTS (continued):

- b) On July 16, 2019 and pursuant to the Company's Stock Option Plan, the Company granted 3,700,000 options to purchase common shares for a price of \$0.30 over a period of five years to officers, directors and consultants of the Company. On August 7, 2019, an additional 200,000 options to purchase common shares for a price of \$0.30 over a period of five years was granted to a consultant.
- c) On August 14, 2019, a total of 15,500 stock options were exercised at \$0.15 for proceeds of \$2,325. The recorded fair value of the exercised options was \$1,315.
- d) On August 20, 2019, the vendor of the Nak property option agreement confirmed the Company is not in default of any of the terms and conditions of the agreement. The vendor and the Company are currently in discussion regarding possible amendments to the payment terms and earn in requirements of the option agreement.
- e) On August 21, 2019, the Company announced that it has staked 215 new claim blocks (4,558 hectares) at its Marathon Property. This will increase the Company's land position to include 45 leases and 1071 claims which total 21,965 hectares.