

SMOOTH ROCK VENTURES CORP.
(Formerly Trinity Valley Energy Corp.)
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017

(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

To the Shareholders of Smooth Rock Ventures Corp. (formerly Trinity Valley Energy Corp.)

We have audited the accompanying consolidated financial statements of Smooth Rock Ventures Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence that we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Smooth Rock Ventures Corp., as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Smooth Rock Ventures Corp.'s ability to continue as a going concern.

A handwritten signature in dark ink that reads "DMCL".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 24, 2018

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

SMOOTH ROCK VENTURES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2017	December 31, 2016
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash		311,230	78,781
GST Receivable		6,296	4,681
		317,526	83,462
LONG-TERM ASSETS			
Cash held in escrow	4	-	2,685,400
		317,526	2,768,862
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	78,615	59,245
Due to related parties	7	41,750	1,750
		120,365	60,995
SHAREHOLDERS' EQUITY			
Common share capital	4	18,258,705	19,257,405
Preferred share capital	4	-	1,272,110
Share based payment reserve	4	4,289,158	4,289,158
Deficit		(22,350,702)	(22,110,806)
		197,161	2,707,867
		317,526	2,768,862

CONTINGENCY (Note 11)

SUBSEQUENT EVENTS (Notes 5 and 12)

Approved on Behalf of the Board:

"Jeffrey Cocks"

Director, Jeffrey Cocks

"Michael Dake"

Director, Michael Dake

The accompanying notes are an integral part of these consolidated financial statements.

SMOOTH ROCK VENTURES CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Year ended December 31,	
		2017	2016
		\$	\$
EXPENSES			
Management fees	7	40,000	-
Office and administration		1,164	4,452
Consulting		10,952	-
Professional fees		28,197	62,513
Travel and promotion		1,723	1,779
Marketing and website		12,100	-
Transfer agent and filing fees		28,200	11,784
		(122,336)	(80,528)
Foreign exchange loss		(117,560)	(96,765)
COMPREHENSIVE LOSS		(239,896)	(177,293)
LOSS PER SHARE - BASIC AND DILUTED		(0.01)	(0.01)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING - BASIC AND DILUTED		18,570,447	18,382,580

The accompanying notes are an integral part of these consolidated financial statements.

SMOOTH ROCK VENTURES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended December 31,	
	2017	2016
	\$	\$
Operating activities		
Net loss	(239,896)	(177,293)
Adjustments for:		
Foreign exchange	117,560	96,765
Changes in non-cash operating working capital items		
GST receivable	(1,615)	(2,305)
Due to related parties	40,000	
Accounts payable and accrued liabilities	19,370	(37,587)
Cash used in operating activities	(64,581)	(120,420)
Financing activities		
Issuance of common shares	300,000	-
Cash provided by financing activities	300,000	-
Effects of change in foreign exchange	(2,970)	(8,365)
Decrease in cash	232,449	(128,785)
Cash, beginning	78,781	207,566
Cash, ending	311,230	78,781

The accompanying notes are an integral part of these consolidated financial statements.

SMOOTH ROCK VENTURES CORP.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Note	Common Shares		Preferred Shares		payment reserve	Deficit	Total
		Number of Shares	Share Capital	Number of Shares	Share Capital			
			\$		\$	\$	\$	\$
Balance December 31, 2015		18,382,580	19,257,405	100	1,272,110	4,289,158	(21,933,513)	2,885,160
Net loss		-	-	-	-	-	(177,293)	(177,293)
Balance, December 31, 2016		18,382,580	19,257,405	100	1,272,110	4,289,158	(22,110,806)	2,707,867
Issuance of common shares	4	4,285,714	300,000	-	-	-	-	300,000
Assignment agreement	4		(1,298,700)		(1,272,110)			(2,570,810)
Net loss		-	-	-	-	-	(239,896)	(239,896)
Balance, December 31, 2017		22,668,294	18,258,705	100	-	4,289,158	(22,350,702)	197,161

The accompanying notes are an integral part of these consolidated financial statements.

Smooth Rock Ventures Corp.
(formerly Trinity Valley Energy Corp.)
Notes to Consolidated Financial Statements
December 31, 2017
(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Smooth Rock Ventures Corp. (formerly Trinity Valley Energy Corp.) (the “Company”) was incorporated on May 17, 1966, under the laws of the province of British Columbia. The Company’s principal activity is the acquisition and exploration of exploration and evaluation assets. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “SOCK”. The head office, principal address and the registered and records office of the Company are located at 551 Howe Street, Suite 200 Vancouver, B.C. V6C 2C2.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2017, the Company is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities on its exploration and evaluation asset and its ability to attain profitable operations and generate funds there from and/or raise equity capital to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

2. Statement of Compliance

The consolidated financial statements of the Company, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These consolidated financial statements were approved by the board of directors for issue on April 23, 2018.

3. Significant Accounting Policies

Basis of measurement

The consolidated financial statements have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in Canadian Dollars, which is also the functional currency of the Company and its subsidiary.

Principles of consolidation

The financial statements consolidate the accounts of the Company and its wholly owned subsidiary, Clairmont Gold Inc. (“Clairmont”). All inter-company balances and transactions are eliminated on consolidation.

Loss per share

Basic loss per share is computed by dividing the income attributable to the common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the income attributable to common shareholders equals the reported income attributable to the owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Smooth Rock Ventures Corp.
(formerly Trinity Valley Energy Corp.)
Notes to Consolidated Financial Statements
December 31, 2017
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Foreign currency

The Financial Statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly owned subsidiary. Transactions in currencies other than the functional currency are translated into Canadian dollars on the following basis:

- Monetary assets and liabilities at the rate of exchange in effect at the statement of financial position date;
- Non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and,
- Revenues and expenses (excluding depreciation, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets at fair value through profit or loss ("FVTPL") are measured at fair value at the balance sheet date with any gain or loss recognized in the statement of comprehensive loss. Interest and dividends earned from these assets are also included in the statement of comprehensive loss. The Company has no financial assets classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Smooth Rock Ventures Corp.
(formerly Trinity Valley Energy Corp.)
Notes to Consolidated Financial Statements
December 31, 2017
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible development assets according to the nature of the asset.

Impairment of assets

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

Smooth Rock Ventures Corp.
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Notes to Consolidated Financial Statements
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(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

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

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

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the provision.

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

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

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

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Smooth Rock Ventures Corp.
(formerly Trinity Valley Energy Corp.)
Notes to Consolidated Financial Statements
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(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods including the following:

- i) The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets.

The most significant judgements applying to the Company's consolidated financial statements include:

- i) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- ii) the classification of financial instruments; and
- iii) the determination of the functional currency of the parent company and its subsidiaries

Standards issued but not yet effective

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

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Overall, the Company does not expect the implementation of IFRS 9 to have a significant impact on its financial assets.

Smooth Rock Ventures Corp.
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(Expressed in Canadian dollars)

4. Share Capital

Authorized: An unlimited number of common shares without par value; and
 An unlimited number of non-voting preferred shares without par value.

On November 14, 2017, the Company consolidated its outstanding common shares on the basis of 4 to 1. All share, share equivalent, and per share amounts have been restated to retrospectively reflect this consolidation.

On December 15, 2017, the Company completed a financing of 4,285,714 units (the “Units”) at a price of \$0.07 per Unit for proceeds of \$300,000. Each Unit consists of one common share and one warrant. Each warrant is exercisable into one common share of the Company at a price of \$0.10 per common share for 2 years.

On July 13, 2015, the Company closed a private placement with Texas General Oil & Gas, LP (“Texas Oil”). In connection with the closing of the private placement the Company issued, into escrow, 8,591,290 common shares of the Company for gross proceeds of \$1,590,138 (US\$1,250,000) and 100 preferred shares for gross proceeds of \$1,272,110 (US\$1,000,000) (the “Preferred Equity”). All of the common shares, preferred shares and US\$2,250,000 (“Investment Amount”) were put into escrow. US\$25,000 was released from escrow during the year ended December 31, 2015.

On February 16, 2018, the agreement with Texas Oil was terminated as part of the Assignment Agreement (the “Assignment Agreement”) (see Note 5). As a result, the Company removed the remaining cash held in escrow of \$2,685,400 (US\$2,000,000) and reduced the correlating amounts in share capital of \$1,298,700 and preferred share capital of \$1,272,110 as at December 31, 2017. The net difference of \$114,590 was recorded in foreign exchange.

As at December 31, 2017, 6,953,032 common shares and 100 preferred shares are in escrow. As per the Assignment Agreement, the 6,953,032 common shares and 100 preferred shares will be returned to the Company and cancelled.

Stock Options

The Company has a rolling stock option plan whereby it can issue stock options up to 10% of the issued and outstanding common shares.

	Options	Weighted average exercise price \$
Balance, December 31, 2015 and 2016	800,000	0.40
Expired	(800,000)	0.40
Balance, December 31, 2017	-	

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrants

	Warrants outstanding	Weighted average exercise price \$	Expiry date
Balance, December 31, 2015 and 2016	-		
Issued	4,285,714	0.10	December 15, 2019
Balance, September 30, 2017	4,285,714		

Smooth Rock Ventures Corp.
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(Expressed in Canadian dollars)

5. Exploration and evaluation Asset

Days Chapel Project

On February 7, 2013, the Company entered into a JOA with Anderson County Land Company (“ACLC”) to earn a 33.33% working interest in the Days Chapel enhanced oil recovery project (the “Days Chapel Project”) located in Anderson County, Texas. During the year ended December 31, 2013, the Company funded a US\$1,500,000 (\$1,524,068) work program and earned its 33.33% interest in the Days Chapel Project.

On February 16, 2018, the Company entered into the Assignment Agreement assigning all of the Company’s beneficial rights and claims relating to the Days Chapel Project.

Texas Oil will forfeit its rights to the escrowed common shares, 6,953,032 common shares and 100 Preferred Shares (the “Escrowed Shares”), in exchange for the release of the US\$2,000,000. The Escrowed Shares will returned to treasury and cancelled. Pursuant to the Assignment Agreement, the Company will assign all its beneficial rights and claims (the “Rights”) with regards to its interests in the Days Chapel Project, including, the Company’s current and ongoing civil claims with ACLC in the Supreme Court of British Columbia Canada (the “ACLC Litigation”) (Note 11) to Texas Oil. In exchange for assigning the Rights to Texas Oil, Texas Oil will incur all costs of the ACLC Litigation (the “Litigation Costs”) from the date of the Assignment Agreement and will: (a) pay the Company 50% of any cash from the ACLC Litigation, in excess of the Litigation Costs, which Texas Oil will first be reimbursed for; and (b) assign the Company 50% of any leases minerals, or other interests acquired from the ACLC Litigation which Texas Oil will purchase, lease or sublease such for their then prevailing market price in the area as represented by recent transactions.

6. Accounts payable and accrued liabilities

	2017	2016
	\$	\$
Trade payables	30,546	11,189
Accrued liabilities	48,069	48,056
	<u>78,615</u>	<u>59,245</u>

7. Related Party Transactions

The following amounts were due to related parties as at December 31, 2017 and 2016:

	2017	2016
	\$	\$
Companies controlled by a director of the Company	21,500	1,500
An officer and director of the Company	20,250	250
	<u>41,750</u>	<u>1,750</u>

Key management personnel compensation

	Years Ended December 31,	
	2017	2016
	\$	\$
Management fees	40,000	nil

Smooth Rock Ventures Corp.
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8. Financial Instruments and Financial Risk Management

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Currency risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount due to their short terms of maturity. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company's financial instruments classified as level 1 include cash.

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9. Capital Management

The Company manages its capital, consisting of share and working capital, in a manner consistent with the risk characteristic of the assets it holds. All sources of financing are analyzed by management and approved by the Board of Directors. The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern and to support the exploration and development of its exploration and evaluation assets and to sustain future development of its business. The Company is meeting its objective of managing capital through preparing short-term and long-term cash flow analysis to ensure an adequate amount of liquidity. The Company is not subject to any externally imposed capital restrictions. There were no changes in the Company's approach to capital management during the year.

10. Income Taxes

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2017	2016
	\$	\$
Loss before income taxes	(239,896)	(177,293)
Corporate tax rate	26%	26%
Expected tax recovery	(62,373)	(46,096)
Change in statutory tax rates and other	-	41,121
Adjustment to prior years provision versus statutory tax return	(104)	(43,423)
Change in valuation allowance and other	62,477	48,398
Income tax recovery	-	-

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

	2017	2016
	\$	\$
Deferred income tax assets		
Exploration and evaluation assets	1,792,926	1,792,926
Non-capital losses available	1,291,739	1,227,550
Share issuance costs	-	1,712
Quebec mining duties	105,150	105,150
Equipment	22,378	22,378
Potential deferred income tax assets	3,212,193	3,149,716
Deferred tax liabilities		
Quebec mining duties	(23,903)	(23,903)
Less: Valuation allowance	(3,188,290)	(3,125,813)
Net Deferred Tax Assets	-	-

The Company has approximately \$5,000,000 of non-capital losses which can be applied to reduce future taxable income, expiring in between 2026 and 2037. Tax attributes are subject to review, and potential adjustment, by tax authorities.

Smooth Rock Ventures Corp.
(formerly Trinity Valley Energy Corp.)
Notes to Consolidated Financial Statements
December 31, 2017
(Expressed in Canadian dollars)

11. LITIGATION

On October 1, 2015, the Company was served with a notice of civil claim filed by ACLC, in the British Columbia Supreme Court. The claim relates to alleged amounts owing under the JOA between the Company and ACLC dated February 6, 2013. ACLC is seeking US\$58,506 plus interest (from July 1, 2015 at 13% per annum) and costs. The Company believes this claim has little merit, and is defending the action. No accrual has been made as at December 31, 2017.

On October 16, 2015, the Company filed a petition against ACLC and three of its principles in the District Court of Anderson County, Texas. The Company alleges in its petition that the JOA, which incorporated a joint operating agreement between the Company and ACLC dated February 6, 2013 contained material misstatements and omissions. The Company also alleges in its petition that the principles of ACLC are jointly and severally liable with ACLC. The Company is seeking in excess of US\$1,000,000 in damages. The Company served ACLC and the three principals discovery requests.

12. SUBSEQUENT EVENT

On January 11, 2018, the Company entered into an option agreement to acquire a 100% interest in the Mattagami River zinc property. The Mattagami property comprises 14 unpatented mining claims located approximately 50 kilometres northeast of the town of Kapuskasing, Ontario. The Company can earn a 100% interest in the property by issuing 6,500,000 common shares and paying \$25,000 cash 12 months from the execution of the option agreement. The property is subject to an underlying 2% net smelter returns royalty, of which 1.5 per cent may be purchased for \$1,000,000.