

**SMOOTH ROCK VENTURES CORP.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE PERIOD ENDED SEPTEMBER 30, 2019**

**UNAUDITED**

(Expressed in Canadian dollars)

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

	Note	Sept. 30, 2019	December 31, 2018
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash		394,424	115,104
Deposits		16,637	-
Other Receivable		17,360	3,292
		428,422	118,396
LONG-TERM ASSETS			
Exploration and evaluation assets	4	750,214	-
		1,178,636	118,396
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	84,092	12,402
Due to related parties	7	1,000	21,750
		85,092	34,152
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>			
Common share capital	4,5	20,111,860	18,973,705
Share based payment reserve	5	4,592,693	4,289,158
Deficit		(23,611,009)	(23,178,619)
		1,093,544	84,244
		1,178,636	118,396

Approved on Behalf of the Board:

*"Michel David"*

Director, Michel David

*"Christopher Hobbs"*

Director, Christopher Hobbs

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

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

	Note	Three months ended Sept. 30,		Nine months ended Sept. 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>ADMINISTRATIVE EXPENSES</b>					
Consulting fees		16,303	-	17,194	50,000
Management fees	7	45,000	-	80,000	10,000
Office and administration		2,593	18	3,050	514
Professional fees		12,045	1,000	13,885	5,250
Travel and promotion		4,522	-	4,522	790
Shareholder communications		-	-	13,172	-
Share-based compensation		80,968	-	264,980	-
Transfer agent and filing fees		6,933	7,382	27,902	22,869
<b>LOSS BEFORE OTHER ITEMS</b>		<b>(168,364)</b>	<b>8,400</b>	<b>(424,705)</b>	<b>89,423</b>
Foreign exchange loss		-	-	(7,684)	-
<b>NET AND COMPREHENSIVE LOSS</b>		<b>(168,364)</b>	<b>(8,400)</b>	<b>(432,389)</b>	<b>(89,423)</b>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>		<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>(0.00)</b>
<b>WEIGHTED AVERAGE COMMON SHARES</b>					
<b>OUTSTANDING - BASIC AND FULLY DILUTED</b>		<b>45,466,722</b>	<b>29,168,294</b>	<b>37,317,508</b>	<b>28,906,389</b>

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

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

	Nine months ended Sept. 30,	
	2019	2018
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Net Income (loss)	(432,389)	(89,423)
Non-cash items		
Share-based compensation	264,980	-
Changes in non-cash operating working capital items		
Accounts payable and accrued liabilities	71,690	(43,704)
Due to related parties	(20,750)	(40,000)
Deposits	(16,637)	-
Other receivable	(14,068)	(5,003)
	(147,175)	(178,130)
Investing activities		
Exploration and evaluation asset	(530,215)	(25,000)
	(530,215)	(25,000)
Financing activities		
Private placement	956,710	-
	956,710	-
<b>Increase (decrease) in cash</b>	<b>279,320</b>	<b>(203,130)</b>
<b>Cash, beginning</b>	<b>115,104</b>	<b>311,230</b>
<b>Cash, ending</b>	<b>394,424</b>	<b>108,100</b>

**Non-cash transactions:**

Exploration and evaluation asset included in accounts payable	13,100	25,000
Issuance of common shares on acquisition of exploration and evaluation assets	220,000	715,000

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

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

	Common Shares		Preferred Shares		Share based payment reserve	Deficit	Total
	Number of Shares	Share Capital	Number of Shares	Share Capital			
		\$		\$	\$	\$	\$
Balance December 31, 2017	22,668,294	18,258,705	100	-	4,289,158	(22,350,702)	197,161
Shares issued on acquisition of property	6,500,000	715,000	-	-	-	-	715,000
Net loss	-	-	-	-	-	(89,423)	(89,423)
<b>Balance, Sept. 30, 2018</b>	<b>29,168,294</b>	<b>18,973,705</b>	<b>100</b>	<b>-</b>	<b>4,289,158</b>	<b>(22,440,125)</b>	<b>822,738</b>
Balance December 31, 2018	29,168,294	18,973,705	100	-	4,289,158	(23,178,619)	84,244
Shares issued on acquisition of property	2,000,000	220,000	-	-	-	-	220,000
Shares issued on private placement net of share issue costs	14,298,428	918,155	-	-	38,554	-	956,709
Share-based compensation	-	-	-	-	264,980	-	264,980
Net loss	-	-	-	-	-	(432,389)	(432,389)
<b>Balance, Sept. 30, 2019</b>	<b>45,466,722</b>	<b>20,111,860</b>	<b>100</b>	<b>-</b>	<b>4,592,692</b>	<b>(23,611,008)</b>	<b>1,093,544</b>

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

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**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.

For the nine month period ended September 30, 2019, the Company had a comprehensive loss of \$432,389 (2018 - \$89,423) and has a deficit of \$23,611,009 (2018 - \$22,440,125). These condensed interim 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 September 30, 2019, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its exploration activities on its exploration and evaluation assets 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. Management intends to finance operating costs over the next twelve months with the private placement of common shares.

**2. Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2018. The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

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

**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.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**3. Significant Accounting Policies (continued)**

**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.

**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**

Effective from January 1, 2018 the Company adopted IFRS 9 replacing IFRS 39. There was not a material impact from the adoption of IFRS 9. 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*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and digital assets are measured at FVTPL.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**3. Significant Accounting Policies (continued)**

*Impairment of financial assets*

IFRS 9 uses the expected credit loss (“ECL”) model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company’s receivables.

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

*Financial liabilities*

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable, due to shareholder, and convertible debentures are classified under other financial liabilities and carried on the statement of financial position at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on de-recognition are generally recognized in profit or loss.

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

**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.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**3. Significant Accounting Policies (continued)**

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.

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.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**3. Significant Accounting Policies (continued)**

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.

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.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**3. Significant Accounting Policies (continued)**

**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.

**Standards, amendments and interpretations issued as of December 31, 2018 that are not yet effective:**

The Company does not expect material impact of the below stated new standards, amendments and interpretations on the Company's financial position and performance:

- Amendment to IAS 28, *Investments in associates and joint venture*
- IFRS 17, *Insurance Contracts*
- IFRS 16, *Leases*
- Amendments to IAS 1 and IAS 8 on the definition of material
- Amendments to IAS 19, *Employee Benefits* on plan amendment, curtailment or settlement, and
- IFRIC 23, *Uncertainty over income tax treatments*

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**4. Exploration and Evaluation Assets**

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	Nine months ended Sept. 30, 2019	Year ended December 31, 2018
<b><u>Garfield Flats Property</u></b>		
Deferred exploration and evaluation:		
Balance, beginning of period	\$ -	\$ -
Geological consulting	47,625	-
Lease payments	53,534	-
Balance, end of period	<u>101,159</u>	<u>-</u>
<b><u>Chucker Property</u></b>		
Acquisition cost:		
Balance, beginning of period	\$ -	\$ -
Cash	26,200	-
Shares issued	220,000	-
Balance, end of period	<u>246,200</u>	<u>-</u>
Deferred exploration and evaluation:		
Balance, beginning of period	\$ -	\$ -
Geological consulting	8,345	-
Assay and drilling	40,133	-
Claim fees	6,117	-
Balance, end of period	<u>54,595</u>	<u>-</u>
<b><u>Palmetto Property</u></b>		
Acquisition cost:		
Balance, beginning of period	\$ -	\$ -
Cash paid	331,000	-
Balance, end of period	<u>331,000</u>	<u>-</u>
Deferred exploration and evaluation:		
Balance, beginning of period	\$ -	\$ -
Claim fees	17,260	-
Balance, end of period	<u>17,260</u>	<u>-</u>
<b>Total exploration and evaluation assets</b>	<b><u>\$ 750,214</u></b>	<b><u>\$ -</u></b>

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**4. Exploration and Evaluation Assets (continued)**

**Garfield Flats Property**

On June 7, 2019, the Company signed a definitive exploration agreement with option to form a joint venture on the Garfield Flats Property with Walker River Resources Corp. ("Walker") The Company can earn an undivided fifty percent (50%) interest in the Garfield Flats Property by funding \$600,000 in exploration expenditures as follows: (a) for an initial 25% interest of the Garfield Flats project \$300,000 in exploration expenditures within a one-year period and (b) for an additional 25% interest \$300,000 in exploration expenditures on or before the second anniversary. The Company may accelerate any of the above earn-in periods at its option. Walker shall be the operator of the exploration during the earn-in period. The Garfield Property is subject to an underlying 2% Gross Production Royalty.

**Chucker Property**

On June 27, 2019, the Company signed an option to purchase agreement ("the Agreement") to acquire a 100% undivided interest in 28 unpatented mining claims in the Chucker Property. The Chucker Property is located in the Silver Star Mining District, within Mineral County, Nevada, in the Walker Lane gold trend. The Chucker Property consists of 28 unpatented mining claims with a combined area of 226 hectares (560 acres) that covers numerous prospect pits and past producing small-scale high grade gold mines. The Company can purchase an undivided one hundred percent (100%) interest in the Chucker Property as follows: (i) \$10,000.00 USD (paid) upon signing of the Agreement. (ii) the issuance of 2,000,000 common shares of the Company, (iii) On or before one year from the date of the signing of the Agreement a final payment of \$10,000 USD. The Chucker Property is subject to a 1.5% gross production royalty payable to the property vendor, of which one-half (.5%) of a percent may be purchased from the vendor at any time prior to commencement of commercial production for a cash payment of \$200,000.

**Palmetto Property**

On July 31, 2019, the Company completed an option to purchase agreement to acquire a 100% undivided interest in 79 unpatented mining claims totaling 1600 acres in the Palmetto Project, Nevada (the "Palmetto Property"). The Palmetto Property is located in Esmeralda County, Nevada, within the southern portion of the Walker Lane gold trend. The Company can purchase a one hundred percent (100%) undivided interest in the Palmetto Property for a total purchase price of \$500,000 USD as follows: (a) \$50,000.00 USD (paid) upon signing of a Letter of Intent ("LOI") for a 30-day option to purchase a 100% (one hundred percent) of the Property, the \$50,000 USD option payment is credited towards the Purchase Price and (b) Upon completion of due diligence and within 30 days of the signing date of the LOI, Smooth Rock will pay \$200,000.00 USD (paid) and (c) On or before one (1) year from the effective date of the Option to Purchase Agreement, a final payment of \$250,000.00 USD.

**Mattagami River Zinc Property**

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 a) issuing 6,500,000 common shares (issued), b) paying \$25,000 cash within 5 business days of closing (paid), and c) 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% may be purchased for \$1,000,000.

Management of the Company is continuing to evaluate its plan to proceed with exploration work on the Mattagami River zinc property and as a result has written down the value of the property to nil at December 31, 2018.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

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**4. Exploration and Evaluation Assets (continued)**

**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 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”). 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.

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.

**5. 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 May 15, 2019, the Company closed a non-brokered private placement for gross proceeds of \$1,000,890 through the issuance of 14,298,428 units at a price of seven cents per unit. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the company at a price of \$0.11 per common share for a period of 24 months following the date of issuance. The company paid \$38,855 in cash for finders' fees on the private placement, along with 555,074 non-transferable finder warrants, each entitling its holder to acquire one common share at \$0.11 for a two-year period following the closing date. The fair value of the finders' warrants was estimated to be \$38,555. The fair value of the finders' warrants was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 177%, expected life of 2 years and risk-free interest rate of 1.61%.

On January 11, 2018, 6,500,000 common shares issued for the acquisition of the Mattigami River Zinc Property at \$0.11 per share with a fair value of \$715,000. (Note 4)

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.

**Smooth Rock Ventures Corp.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
**September 30, 2019**  
**(Expressed in Canadian dollars)**

**5. Share Capital (continued)**

**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.

On September 17, 2019, the Company granted 1,000,000 stock options. The options are exercisable at \$0.085 per share and expire on September 17, 2024. The fair value of the options was estimated to be \$80,968. The fair value of the options was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 176%, expected life of 5 years and risk-free interest rate of 1.50%.

On March 1, 2019, the Company granted 2,500,000 stock options. The options are exercisable at \$0.075 per share and expire on March 1, 2024. The fair value of the options was estimated to be \$184,012. The fair value of the options was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 209%, expected life of 5 years and risk-free interest rate of 1.79%.

	Options	Weighted average exercise price \$
Balance, December 31, 2018	-	-
Issued	3,500,000	0.078
<b>September 30, 2019</b>	<b>3,500,000</b>	<b>0.078</b>

**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, 2018	4,285,714	0.10	December 31, 2019
Issued	14,853,502	0.11	May 15, 2021
Balance September 30, 2019	19,139,216	0.11	

**6. Accounts payable and accrued liabilities**

	Sept. 30, 2019 \$	December 31, 2018 \$
Trade payables	13,200	402
Accrued liabilities	70,892	12,000
	<b>84,092</b>	<b>12,402</b>

**Smooth Rock Ventures Corp.**  
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**7. Related Party Transactions**

The following amounts were due to related parties as at Sept. 30, 2019 and December 31, 2018:

	Sept. 30, 2019 \$	December 31, 2018 \$
Companies controlled by a director of the Company	1,000	11,500
An officer and director of the Company	-	10,250
	1,000	21,750

**Key management personnel compensation**

	Nine Months Ended Sept. 30,	
	2019 \$	2018 \$
Management fees	80,000	10,000

**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.

**Smooth Rock Ventures Corp.**  
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**8. Financial Instruments and Financial Risk Management (continued)**

**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.

**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. 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.

On August 16, 2018, the Company executed a Settlement Agreement with ACLC and three of its principles (collectively the "ACLC Group"). In exchange for the payment of \$20,000 to the ACLC Group, the ACLC Group agreed to assign all of its recorded and unrecorded mineral deeds and/or unexpired mineral leases in Anderson County, Texas to the Company and Texas Oil. Under the Assignment Agreement (Note 4), Texas Oil will be responsible for the \$20,000 payment and will be assigned the unrecorded mineral deeds and/or unexpired mineral leases. The ACLC Group, the Company and Texas Oil agreed to instruct counsel to endorse a consent order dismissing the claims and counterclaims, on the merits, without costs to any party once the payment and mineral lease assignments are complete. In addition, the parties agreed to execute a complete mutual release in the usual commercial terms for a settlement of this nature in British Columbia.

The US\$31,011 (CN\$36,056) liabilities accrued in 2014 was no longer due to the ACLC Group. The gain of \$36,056 from legal settlement has been recognized as at December 31, 2018.