

SMOOTH ROCK VENTURES CORP.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

(Expressed in Canadian dollars)

NOTICE TO READER

The accompanying unaudited condensed interim financial statements for Smooth Rock Ventures Corp. (the “Company”) have been prepared by management in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

These unaudited condensed interim financial statements, which are the responsibility of management, have not been reviewed by the Company’s auditors.

Management believes these unaudited condensed interim financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and December 31, 2019, and the results of its operations and its cash flows for the nine months ended September 30, 2020 and September 30, 2019.

SMOOTH ROCK VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(In Canadian dollars)	Note	September 30, 2020	December 31, 2019,
Assets			
Current Assets:			
Cash		\$ 937,414	\$ 197,352
Deposits		9,524	16,622
GST/HST recoverable		25,588	20,917
		972,526	234,853
Non-Current Assets:			
Exploration and evaluation assets	4	1,361,844	852,496
		\$ 2,334,370	\$ 1,087,349
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	6	\$ 43,050	\$ 27,224
Related party payable	7	73,543	52,287
		116,593	79,511
Shareholders' Equity			
Share capital	4, 5	21,869,090	20,111,860
Reserve	5	4,712,033	4,592,693
Deficit		(24,374,364)	(23,696,715)
		2,217,778	1,007,838
		\$ 2,334,370	\$ 1,087,349

Approved on behalf of the Board of Directors

"Michel David"

Director

"Christopher Hobbs"

Director

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

SMOOTH ROCK VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

<i>(in Canadian dollars)</i>	<i>Note</i>	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
General and administrative expenses:					
Advertising and promotion		\$ 1,095	\$ –	\$ 7,002	\$ 13,172
Audit and accounting		–	–	14,665	–
Consulting	7	33,096	16,303	46,046	17,194
Professional fees		–	12,045	161	13,885
Management fees	7	–	45,000	30,663	80,000
Meals and Entertainment		1,235	–	1,235	–
Office and administration		11,260	2,593	22,184	3,050
Transfer agent and filing fees		23,141	6,933	37,182	27,902
Share based compensation		52,743	80,968	119,340	264,980
Travel		1,270	4,522	1,270	4,522
Loss before other items		(123,840)	(168,364)	(279,748)	(424,705)
Exploration and evaluation asset impairment		(387,391)	–	(387,391)	–
Foreign exchange (loss) gain		(4,550)	–	508	(7,684)
Net and Comprehensive loss for the year		\$ (526,799)	\$ (168,364)	\$ (677,649)	\$ (432,389)
Loss per share – basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		64,899,731	45,466,722	55,624,368	37,317,508

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

SMOOTH ROCK VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

<i>(In Canadian dollars)</i>	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows provided by (used in) operating activities		
Net loss for the period	\$ (677,649)	\$ (432,389)
Non-cash items:		
Exploration and evaluation asset impairment	387,391	–
Share-based compensation	119,340	184,012
Changes in working capital items:		
Amounts receivables	11,355	(5,947)
Deposits	(8,966)	(66,015)
Accounts payable and accrued liabilities	15,826	9,376
Due to related parties	21,256	(20,750)
	(120,429)	(331,713)
Cash flows provided by (used in) investing activities		
Exploration and evaluation asset	(446,739)	(38,633)
	(446,739)	(38,633)
Cash flows provided by (used in) financing activities		
Private placement	1,307,230	956,710
	1,307,230	956,710
Increase (decrease) in cash		
Cash, beginning of period	197,352	115,104
Cash, end of period	\$ 937,414	\$ 701,468

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SMOOTH ROCK VENTURES CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(In Canadian dollars)</i>	Number of Common Shares	Share Capital	Preferred Shares	Share-based payment reserve	Deficit	Total
Balance at December 31, 2018	29,168,300	\$ 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	–	38,555	–	956,710
Share-based compensation	–	–	–	264,980	–	264,980
Net loss for the period ended September 30, 2019	–	–	–	–	(432,389)	(432,389)
Balance at September 30, 2019	45,466,726	20,111,860	100	4,592,693	(23,611,008)	1,093,545
	–	–	(100)	–	–	–
Net loss for the period ended December 30, 2019	–	–	–	–	(85,707)	(85,707)
Balance at December 31, 2019	45,466,726	20,111,860	–	4,592,693	(23,696,715)	1,007,838
Shares issued for exploration property	6,000,000	450,000	–	–	–	450,000
Shares issued on private placement, net of share issue costs	19,600,538	1,307,230	–	–	–	1,307,230
Reserves	–	–	–	119,340	–	119,340
Net loss for the period ended September 30, 2020	–	–	–	–	(677,649)	(677,649)
Balance at September 30, 2020	71,067,264	\$ 21,869,090	–	\$ 4,712,033	\$ (24,374,364)	\$ 2,217,778

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

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Smooth Rock Ventures 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 Suite 820 - 1130 West Pender Street Vancouver, B.C. V6E 4A4.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company is not currently determinable, but management continues to monitor the situation.

For the nine months period ended September 30, 2020, the Company had a comprehensive loss of \$677,649 (2019 - \$432,389) and has a deficit of \$24,374,364 (December 31, 2019 - \$23,696,715). 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, 2020, 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, 2019, 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, 2019. 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, 2019.

These financial statements were approved by the board of directors for use on November 27, 2020.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

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”). Clairmont was incorporated on April 27, 2010, under the laws of Ontario. All inter-company balances and transactions are eliminated on consolidation.

Loss per share

Basic loss per share is computed by dividing the loss attributable to the common shareholders by the weighted average number of common shares outstanding during the period. For all periods presented, the loss attributable to common shareholders equals the reported loss 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. Because the Company incurred net losses, the effect of dilutive instruments would be anti-dilutive and therefore diluted loss per share equals basic loss per share.

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

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive loss (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held-for-trading or derivatives) or the Company has opted to measure them at FVTPL.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

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 is measured at FVTPL.

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 derecognition are generally recognized in profit or loss. The Company does not have any derivative financial assets and liabilities.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(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.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to reserves of the issued

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.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

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.

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.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Current income tax (continued)

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.

Use of estimates and judgment:

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

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

3. Significant Accounting Policies (continued)

Change in accounting policies

IFRS 16 - Leases

The Company adopted IFRS 16 which replaced IAS 17 “Leases” and related interpretations, using the modified retrospective method which does not require restatement of prior period financial information. The new standard introduces a single lessee accounting model and requires a lessee to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event of a significant changes in circumstance occurs which affects this assessment. The Company did not have any operating leases in place as at December 31, 2019, as such, there was no impact on adoption of the standard.

4. Exploration and evaluation Assets

	Nine months Ended September 30, 2020	Year ended December 31, 2019
<u>Garfield Flats Property</u>		
Deferred exploration and evaluation:		
Balance, beginning	\$ 117,004	\$ –
Geological consulting	26,286	63,470
Lease payments	–	53,534
Balance, ending	<u>143,290</u>	<u>117,004</u>
<u>Chucker Property</u>		
Acquisition cost:		
Balance, beginning	\$ 246,200	\$ –
Cash	–	26,200
Shares issued	–	220,000
Impairment	(246,200)	–
Balance, ending	<u>–</u>	<u>246,200</u>
Deferred exploration and evaluation:		
Balance, beginning	\$ 139,737	\$ –
Geological consulting	–	19,899
Assay and drilling	1,454	113,225
Claim fees	–	6,613
Impairment	(141,191)	–
Balance, ending	<u>–</u>	<u>139,737</u>
<u>Palmetto Property</u>		
Acquisition cost:		
Balance, beginning	\$ 331,000	\$ –
Cash paid	338,350	331,000
Balance, ending	<u>669,350</u>	<u>331,000</u>
Deferred exploration and evaluation:		
Balance, beginning	\$ 18,555	\$ –
Geological consulting	3,000	–
Claim fees	19,977	18,555
Balance, ending	<u>41,532</u>	<u>18,555</u>

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

4. Exploration and Evaluation Assets (continued)

Loman Property

Acquisition cost:		
Balance, beginning	\$	–
Shares issued		225,000
Balance, ending		<u>225,000</u>

Deferred exploration and evaluation:		
Balance, beginning	\$	–
Geological and assay fees		–
Claim fees		11,671
Balance, ending		<u>11,671</u>

Giroux Property

Acquisition cost:		
Balance, beginning	\$	–
Lease payment		27,956
Shares issued		225,000
Balance, ending		<u>252,956</u>

Deferred exploration and evaluation:		
Balance, beginning	\$	–
Geological and assay fees		9,347
Claim fees		8,697
Balance, ending		<u>18,044</u>

Total exploration and evaluation assets		\$ 1,361,844		\$ 852,496
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Garfield Flats Property

On June 7, 2019, the Company signed an agreement with an option to form a joint venture on the Garfield Flats Property with Walker River Resources Corp. (“Walker”) The Company can earn an undivided 50% interest in the Garfield Flats Property by funding \$600,000 in exploration expenditures as follows:

- (i) for an initial 25% interest of the Garfield Flats project \$300,000 in exploration expenditures within a 1year period and
- (ii) 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 (the “Royalty”). The Company has incurred costs of \$143,290 towards the initial 25% interest.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

4. Exploration and Evaluation Asset (continued)

Chucker Property

On June 27, 2019, the Company signed an 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 Company can purchase an undivided 100% interest in the Chucker Property as follows:

- (i) USD \$10,000 (CAD \$13,100) (paid) upon signing of the Agreement.
- (ii) the issuance of 2,000,000 common shares on the date of the Agreement,
- (iii) On or before one year from the date of the signing of the Agreement a final payment of USD \$10,000 (CAD \$13,100).

The Chucker Property is subject to a 1.5% royalty, of which .5% may be purchased from the vendor at any time prior to commencement of commercial production for a cash payment of USD \$200,000.

The Company did not make the final option payment and has decided not to move forward with the Chucker Property. As a result, the Company has written off the balance of the Chucker Property at September 30, 2020.

Palmetto Property

On July 31, 2019, the Company signed an agreement to acquire a 100% undivided interest in 79 unpatented mining claims 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 100% undivided interest in the Palmetto Property for a total purchase price of USD \$500,000 as follows:

- (i) USD \$50,000 (CAD \$66,000) (paid) upon signing of a Letter of Intent ("LOI") for a 30-day option to purchase a 100% of the Property, the USD \$50,000 (CAD \$66,000) option payment is credited towards the Purchase Price,
- (ii) Upon completion of due diligence and within 30 days of the signing date of the LOI, the Company will pay USD \$200,000 (CAD \$265,000) (paid) and
- (iii) On or before 1 year from the effective date of the agreement, a final payment of USD \$250,000 (paid).

On July 28, 2020, the Company completed its Option To Purchase Agreement on the Palmetto Project. Smooth Rock has a 100% undivided interest the Palmetto Project free and clear of any outstanding royalties.

Giroux Project

On April 21, 2020, the Company entered into an exploration lease with option to purchase Agreement (the "Agreement") on the Giroux Project, located in Mineral County, Nevada, within the Walker Lane shear zone. Full consideration of the Agreement consists of the following:

- (i) the issuance of 3,000,000 common shares of the Company (issued April 22, 2020).
- (ii) an initial cash payment of \$20,000 USD upon the execution of the agreement.
- (iii) \$20,000 on the first anniversary of the effective date and any succeeding anniversary of the effective date.

The Company has the exclusive purchase option and right to acquire 100% ownership of the Property (the "Option"). The purchase price of the Property shall be USD \$200,000 (the "Purchase Price"). The Giroux Property is subject to an 1.5% Gross Production Royalty payable to the property vendor, of which one-half of a percent (.5%) may be purchased from the vendor at any time prior to commencement of commercial production for a cash payment of \$200,000. The term of the Agreement continues for ten (10) years, subject to the right to extend the Agreement for two (2) additional terms of ten (10) years each, and subject to the option to purchase 100% of the Property. The transaction is subject to TSX Venture Exchange final approval.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

4. Exploration and Evaluation Asset (continued)

Loman Property

On December 27, 2019, the Company signed a purchase agreement to acquire a 100% undivided interest in the Loman Property, located in Mineral County, Nevada, within the Walker Lane gold trend. The Loman Property consists of 50 unpatented mining claims. Historical sampling on the property revealed the presence of copper, bismuth, and antimony as well as pervasive lower grade gold mineralization, cut by vein structures of higher-grade gold. The Company closed the acquisition on January 6, 2020 by the issuance of 3,000,000 common shares after receiving TSX-V approval.

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.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

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 July 15, 2020, the Company closed a non-brokered private placement for gross proceeds of \$1,005,180 through the issuance of 14,359,711 units at a price of \$0.07 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 \$53,648 in cash for finders' fees on the private placement, along with 765,829 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 \$52,742. The fair value of the finders' warrants was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 176%, expected life of 2 years and risk-free interest rate of .26%.

On July 19, 2020, the Company closed a non-brokered private placement for gross proceeds of \$366,858 through the issuance of 5,240,828 units at a price of \$0.07 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 \$11,200 in cash for finders' fees on the private placement, along with 160,000 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 \$11,019. The fair value of the finders' warrants was determined using the Black-Scholes pricing model and the following assumptions: estimated volatility of 176%, expected life of 2 years and risk-free interest rate of .26%. The CEO of the company acquired 386,942 units indirectly through his company, MSM Resource, LLC.

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 \$0.07 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 \$44,180 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.

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%.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

5. Share Capital (continued)
Stock Options (continued)

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%.

On May 7, 2020, the Company granted 1,000,000 stock options to certain officers, directors, consultants and employees of the Company to purchase up to a total of 1,000,000 common shares of the Company at a price of \$0.07 per common share for a period of five years. The fair value of the options was estimated to be \$66,597. 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 .40%.

	Options	Weighted average exercise price
Balance, December 31, 2018	–	–
Issued	3,500,000	\$ 0.078
Balance December 31, 2019	3,500,000	0.078
Issued	1,000,000	0.070
Balance September 30, 2020	4,500,000	\$ 0.076

A summary of stock options outstanding and exercisable as of September 30, 2020 is as follows:

Outstanding and exercisable	Exercise price	Expiry date
1,000,000	0.085	September 17, 2024
2,500,000	0.075	March 1, 2024
1,000,000	0.070	May 7, 2025
4,500,000		

Warrants

	Warrants outstanding	Weighted average exercise price	Expiry date
Balance, December 31, 2018	4,285,714	\$ 0.10	December 27, 2022
Issued	14,853,502	\$ 0.11	May 15, 2021
Finders warrants issued	555,074	\$ 0.11	May 15, 2021
Balance December 31, 2019	19,139,216	\$ 0.11	
Issued	14,359,711	\$ 0.11	July 15, 2022
Finders warrants issued	765,829	\$ 0.11	July 15, 2022
Issued	5,240,828	\$ 0.11	July 19, 2022
Finders warrants issued	160,000	\$ 0.11	July 19, 2022
Balance September 30, 2020	39,665,584		

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.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

6. Accounts payable and accrued liabilities

	September 30, 2020	December 31, 2019
Trade payables	\$ 16,608	\$ 624
Accrued liabilities	26,442	26,600
	\$ 43,050	\$ 27,224

7. Related Party Transactions

The following amounts were due to related parties as at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Companies controlled by a director of the Company	\$ 30,013	\$ 8,757
Officers and directors of the Company	43,530	43,530
	\$ 73,543	\$ 52,287

The Company has identified its directors and certain senior officers as its key management personnel. The remuneration of the Company's directors and other key management was \$28,013 for the nine months ended September 30, 2020 (September 30, 2019, \$80,000).

On May 7, 2020, included in the 1,000,000 stock options issued, the Company granted 500,000 stock options to certain officers and directors of the Company to purchase up to a total of 500,000 common shares of the Company at a price of \$0.07 per common share for a period of five years. The fair value of the options issued to these related parties was estimated to be \$33,299. 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 .40%.

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.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

8. Financial Instruments and Financial Risk Management (continued)

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.

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.

Smooth Rock Ventures Corp.
Notes to Consolidated Financial Statements
September 30, 2020
(Expressed in Canadian dollars)

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 related to alleged amounts owing under the JOA between the Company and ACLC dated February 6, 2013. ACLC was seeking US\$58,506 plus interest (from July 1, 2015 at 13% per annum) and costs. No accrual had been made for the claim.

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 alleged 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 alleged in its petition that the principles of ACLC are jointly and severally liable with ACLC. The Company was 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 was responsible for the \$20,000 payment and was assigned the unrecorded mineral deeds and/or unexpired mineral leases. The ACLC Group, the Company and Texas Oil instructed counsel to endorse a consent order dismissing the claims and counterclaims, on the merits, without costs to any party on completion of the payment and mineral lease assignments. In addition, the parties executed a complete mutual release in the usual commercial terms for a settlement of this nature in British Columbia.

The USD \$31,011 (CAD \$36,056) liabilities accrued in 2014 was no longer due to the ACLC Group. The gain of \$36,056 from legal settlement was recognized in the year ending December 31, 2018.