

SMOOTH ROCK VENTURES CORP.
MANAGEMENT'S DISCUSSION & ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021

GENERAL

This Management's Discussion and Analysis of Smooth Rock Ventures Corp. (the "Company", "Smooth Rock" or "SOCK") is dated May 28, 2021 and provides an analysis of Smooth Rock's financial position and results of operation for the three months ended March 31, 2021. The following information should be read in conjunction with the consolidated financial statements for the three months ended March 31, 2021 and related notes which are available on SEDAR at www.sedar.com or at the Company's website: www.smoothrockventures.com.

Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in Canadian dollars.

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Corporation disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

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.

CORPORATE PROFILE AND MISSION

Smooth Rock Ventures Corp. is an exploration stage company engaged in the acquisition and exploration of exploration and evaluation assets. The Company is a reporting issuer in British Columbia, Alberta and Quebec, and its common shares trade on the TSX Venture Exchange under the symbol **SOCK-V**. Additional information can be found at the website www.sedar.com or at the Company's website: www.smoothrockventures.com.

ACTIVITY HIGHLIGHTS

- See result details in "**RESULTS OF OPERATIONS**".
- 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).
 - (ii) an initial cash payment of \$20,000 USD upon the execution of the agreement (paid).
 - (iii) \$20,000.00 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.

- 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.

RESULTS OF OPERATIONS

Summary of exploration activities

Mineral Property:

Garfield Flats Nevada Gold Property

On March 26, 2019 the Company entered into a letter of intent ("LOI") with Walker River Resources Corp. ("Walker River") to enter into an exploration agreement with option to form a joint venture on the Garfield Flats project, located in Mineral County, Nevada. The LOI with Walker River is to negotiate a definitive exploration agreement with option to form a joint venture on the Garfield Flats property. The Company can earn an undivided 50-per-cent interest in the Garfield Flats property by financing \$600,000 in exploration expenditures as follows:

- (i) for an initial 25-per-cent interest of the Garfield Flats project, \$300,000 in exploration expenditures within a one-year period; and
- (ii) for an additional 25-per-cent interest, \$300,000 in exploration expenditures on or before the second anniversary; and
- (iii) a 50/50 joint venture will be formed between Walker River and Smooth Rock.

On May 25, 2020, the agreement was renegotiated to extend the funding requirements to within 2 years and 3 years respectively.

The Garfield Flats Project consists of 59 unpatented mining claims having a combined area of approximately 858 hectares (2120 acres) that covers several past producing small-scale high-grade gold and copper mines, altered and mineralized zones discovered by previous geological compilations and mapping of the historical workings. Historical sampling on the project has revealed the presence of copper, bismuth, and antimony as well as pervasive lower grade gold mineralization, cut by vein structures (some previously mined) of higher-grade gold. Previous induced polarization surveys also denoted the presence of significant coincident I.P. anomalies. These factors demonstrate the potential of this relatively unexplored project for the discovery of gold mineralization. The Garfield Flats Project is within the Walker Lane shear zone, a 60-mile-wide structural corridor extending in a southeast direction from Reno, Nevada, located 18 miles southeast of Hawthorne, NV along U.S. Highway 95. The project has excellent year-round access and infrastructure within Mineral County, one of the most pro-mining counties in the pro-mining states and highest-grade gold districts of Nevada.

2020 Exploration Program

Phase I of the Garfield Flats 2019 exploration program consisted of reconnaissance prospecting, geological mapping, relocating historical workings and ground based geophysical surveys. This initial reconnaissance program will provide accurate modern data to assist in the planning of the 2020 phase II surface trenching drill program. Phase II was expected to begin following the compilation of the phase I results, later in 2020. However, this was delayed from the impacts of the worldwide COVID-19 pandemic, that effected the Company Canadian based management's ability to travel cross border,

availability of field personal and various contractors. Phase II is expected to now be completed later in 2021, subject to field crew personnel availability.

2021 Exploration Program

During the period ending March 31, 2021, the Company completed its geological interpretation at the Garfield Flats copper-gold project. The Company is planning an initial drill program at variously identified drill targets later in 2021.

Chucker Property, Nevada

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 Chucker Property also contains a surface exposure of the range front fault which was historically mined from a shaft. The Chucker Property is located within the intersection of the Walker Lane shear zone and associated Mina Deflection of the Walker Lane. This combination creates major fault zones or conduits for ascending mineralized solutions. From observation and historic assay values, gold, silver, lead, zinc and copper are found in amounts that demonstrate significant potential for exploration. There is no evidence of modern-day exploration or drilling on the property. The Chucker Property is located 60 miles southeast of Hawthorne, Nevada or 5 miles southwest of Marietta, Nevada, easily accessible via state and secondary roads with year-round access. The Chucker Project is located in close proximity to past producing mines such as Marietta Mines, Moho, and Camp Douglas. The core portion of the property has been held by private interests for over 40 years.

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 USD.

2020 Exploration Program

The Company completed Phase I of the Chucker Property exploration program which consisted of reconnaissance prospecting, geological mapping, surface trenching, sampling and relocating historical workings.

In 2019, the Company completed an initial reverse circulation (RC) exploration drill program focusing on the surface exposures around the historical workings of the range front fault and other exploration targets on the property, identified in phase 1 of the exploration program.

Upon reviewing of the results of the 2019 exploration program the Company has decided not to proceed with the final option payment and has let the Agreement expire.

Palmetto Property, Nevada

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 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.

2020 Exploration Program

During the period ending March 31, 2021, the Company completed a re-evaluation and re-interpretation of the Palmetto geological model. This was followed up by reconnaissance prospecting, geological mapping, sampling and the relocation of historical workings. A Phase II initial drill program was planned for later in 2020, but was delayed from the impacts of the worldwide COVID-19 pandemic. The Phase II initial diamond drill program started in February 2021.

On October 21, 2020 the Company completed a current National Instrument 43-101 inferred resource estimate and technical report on the Palmetto gold project. The model and estimation were reviewed, repeated and prepared by WSP Canada's author and independent qualified person, Todd McCracken, PGeo. The Palmetto resource estimate and technical report (October 20, 2020) been filed and is available for viewing at the Company's profile on SEDAR.

2021 Exploration Program

On February 22, 2021 the Company announced the start of an initial 2021 diamond drill program. The program is designed to expand the current resource by drilling the mineralized zones laterally and at depth, to extend the present known mineralization. Drilling also targeted the high-grade feeder chutes and explore other areas of the project outside of the inferred resource area. Results from the program are pending.

Loman Property, Nevada

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.

2020 Exploration Program

No work was completed in 2020 due to the effects of the worldwide COVID-19 pandemic, that effected the Company's Canadian based management's ability to travel cross border, availability of field personal and various contractors. Phase II is expected to now be completed later in 2021, subject to field crew personnel availability.

2021 Exploration Program

In 2021, the Company is planning an initial exploration program which will consist of reconnaissance prospecting, geological mapping, surface trenching, sampling and relocating historical workings.

Giroux Project, Nevada

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).
- (ii) an initial cash payment of \$20,000 USD upon the execution of the agreement (paid).
- (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.

2020 Exploration Program

The Company has begun Phase I of the Giroux exploration program which will consist of reconnaissance prospecting, geological mapping, surface trenching, sampling, and relocating historical workings. This reconnaissance program will provide accurate modern data to assist in the planning of the phase II drill program. Phase I is estimated to last for three to four weeks, with phase II expected to begin following the compilation of the phase I results, later in 2020, pending drilling permits.

2021 Exploration Program

The Company is planning an initial drill program at variously identified drill targets from the Phase I exploration program, later in 2021.

Selected Interim Information

The following chart shows the financial results derived from the Company's financial statements for the eight most recently completed quarters.

	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Net comprehensive loss for the period	(54,237)	1,846	(526,799)	(149,755)
Gain (loss) per share	(\$0.00)	\$0.00	(\$0.01)	(\$0.00)
Total assets	2,502,170	2,306,456	2,334,370	1,633,747

	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Net comprehensive loss for the period	(1,095)	(106,562)	(168,364)	(51,021)
Loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Total assets	1,308,661	1,087,349	1,178,636	1,243,089

Analysis of operations

Net Comprehensive Loss

Comparison between three months ended March 31, 2021 and 2020

Net loss for the three months ended March 31, 2021 was \$54,237 (2020 - \$1,095). The increase in net loss is primarily due to an increase in advertising and promotion expenses from \$5,000 in 2020 to \$25,062 in 2021 and a loss of \$14,999 in foreign exchange in 2021 as compared to a gain of \$6,637 in foreign exchange in the three months ended March 31, 2020.

Total assets

Comparison between three months ended March 31, 2020 and December 31, 2019

- There was a decrease in cash to \$728,226 at March 31, 2021 as compared to \$898,521 as at December 31, 2020.
- Exploration and evaluation assets increased to \$1,741,124 from \$1,376,913 at December 31, 2020 due to ongoing exploration work on the Palmetto property.

Comparison between March 31, 2021 and December 31, 2020

- There was a decrease in cash to \$165,871 at March 31, 2020 as compared to \$197,352 as at December 31, 2019.
- Exploration and evaluation assets increased to \$1,105,236 on acquisition of the Loman Property.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Quarter	Net Comprehensive Income (Loss) (in 000's)	Net Income (Loss) per Share (basic and fully diluted)
2019	Q1	(\$192)	(\$0.01)
2019	Q2	(\$51)	(\$0.00)
2019	Q3	(\$168)	(\$0.00)
2019	Q4	(\$107)	(\$0.00)
2020	Q1	(\$1)	(\$0.00)
2020	Q2	(\$150)	(\$0.00)
2020	Q3	(\$527)	(\$0.01)
2020	Q4	\$2	(\$0.00)
2021	Q1	(\$54)	(\$0.00)

2021-Q1	Increase in net loss is primarily due to an increase in advertising and promotion expenses and foreign exchange loss on US dollars held.
2020-Q4	Decrease in net loss due to the impairment of the Chucker property in the prior quarter. This was offset by an increase in management fees.
2020-Q3	Increase in net loss due to impairment of the Chucker property. This was offset by a decrease in management fees and share based compensation.
2020-Q2	Increase in net loss due to management fees incurred in Q2 and the granting of 1,000,000 options valued at \$66,597 in share based compensation.
2020-Q1	Decrease in net loss due to management fees incurred in prior quarter.
2019-Q4	Decrease in net loss due to share-based compensation recorded in the prior quarter.
2019-Q3	Increase in Q3 2019 net loss due to share-based compensation and management fee and consulting expenses recorded in Q3 of 2019.
2019-Q2	Decrease in Q2 2019 net loss due to share-based compensation recorded in Q1 of 2019.
2019-Q1	Decrease in Q1 2019 net loss due to write down of exploration and evaluation assets booked in Q4 2018.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2021, the Company had working capital of \$360,501 as compared to working capital of \$778,950 at December 31, 2020. The decrease in working capital in the quarter is primarily the result of payments for exploration expenditures during the period. This was offset by increases in accounts payable and accrued liabilities and increases in due to related party. The Company plans to continue to fund its operations through equity financings, there are no guarantees that the Company can do so in the future.

The Company had no material commitments for capital expenditures as at March 31, 2021.

OFF BALANCE SHEET ARRANGEMENTS

There are no off balance sheet arrangements.

PROPOSED TRANSACTIONS

There are no proposed transactions.

TRANSACTIONS WITH RELATED PARTIES

The following amounts were due to related parties as at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Companies controlled by a director of the Company	\$ 112,266	\$ 85,941
Officers and directors of the Company	6,000	6,000
	\$ 118,266	\$ 91,941

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 \$nil for the three months ended March 31, 2021 (\$nil, March 31, 2020).

During the three months ended March 31, 2021 a company controlled by the CEO of the Company was paid \$29,814 for exploration and geological services.

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 0.40%.

On July 19, 2020 the CEO of the Company acquired 386,942 units at \$0.07 per unit indirectly through his company, MSM Resource, LLC.

CONTROLS AND PROCEDURES

The management of the Company is responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's interim financial statements for the three months ended March 31, 2021.

The management of the Company has filed the Venture Issuer Basic Certificate with the Annual Filings on SEDAR at www.sedar.com. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

OUTSTANDING SHARE DATA

Authorized share capital

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

Issued share capital

As at March 31, 2021 there were 71,067,264 issued common shares and at the date of this MD&A there were 74,024,406 issued common shares.

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 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 0.26%.

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 0.26%. The CEO of the company acquired 386,942 units indirectly through his company, MSM Resource, LLC.

On April 28, 2021, 2,857,142 warrants at \$0.10 per warrant were exercised for 2,857,142 shares. Total proceeds of \$285,714 were received.

On May 15, 2021, 100,000 warrants at \$0.11 per warrant were exercised for 100,000 shares. Total proceeds of \$11,000 were received.

On May 15, 2021, 14,753,502 warrants at \$0.11 per warrant expired.

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.

As at March 31, 2021 and the date of this MD&A there were 4,500,000 share purchase options outstanding.

Warrants

As at March 31, 2021 there were 39,665,583 warrants outstanding. At the date of this MD&A there were 21,954,940 warrants outstanding.

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 or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Standards Issued but Not Yet Effective

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 March 31, 2021, as such, there was no impact on adoption of the standard.

FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

Financial risk management

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

Credit risk

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

Liquidity risk

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

Currency risk

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

Interest rate risk

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

Fair value

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

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

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

RISK AND UNCERTAINTIES

Risks inherent in the nature of mineral exploration and development

Exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labor are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes,

and royalties. No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered on any of the Company's properties to justify commercial operation. Numerous external factors influence and may have significant impacts on the operations of the Company and its financing needs.

Financial risks

The Company is an exploration company. The Company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Claims and title risks

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

Tax

No assurance can be made that Canada Revenue Agency or Quebec Minister of Revenue will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses.

Dependence on key personnel

The development of the Company's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. The Company faces competition for personnel from other employers.

Conflicts of interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith of view to the best interests of the Company and to disclose any interest, which they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

Environmental risks

The Company is subject to various environmental incidents that can occur during exploration work. The Company maintains an environmental management system including operational plans and practices.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com or at the Company's website: www.smoothrockventures.com