

SMOOTH ROCK VENTURES CORP.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

(Expressed in Canadian dollars)

NOTICE TO READER

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

Management believes these unaudited interim condensed consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021 and December 31, 2020, and the results of its operations and its cash flows for the six months ended June 30, 2021 and June 30, 2020.

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

	Note	June 30, 2021	December 31, 2020
Assets			
Current Assets:			
Cash		\$ 720,674	\$ 898,521
Deposits		25,588	25,588
GST/HST recoverable		7,232	5,434
		752,051	929,543
Non-Current Assets:			
Exploration and evaluation assets	4	1,771,517	1,376,913
		\$ 2,523,568	\$ 2,306,456
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	6	\$ 44,081	\$ 58,653
Due to related party	7	117,546	91,941
		161,627	150,594
Shareholders' Equity			
Common share capital	4, 5	22,102,042	21,805,328
Share based payment reserve	5	4,723,052	4,723,052
Deficit		(24,463,153)	(24,372,518)
		2,361,941	2,155,862
		\$ 2,523,568	\$ 2,306,456

Nature and continuance of operations (Note 1)

Approved on behalf of the Board of Directors

"Alan Day"

Director

"Christopher Hobbs"

Director

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

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

<i>(in Canadian dollars)</i>	<i>Note</i>	For the three months ended		For the six months ended	
		June 30,		June 30,	
		2021	2020	2021	2020
General and administrative expenses:					
Advertising and promotion		\$ 299	\$ 907	\$ 26,361	\$ 5,907
Audit and accounting		171	14,665	171	14,665
Consulting	7	–	12,000	–	12,950
Management fees		27,887	30,663	27,887	30,663
Office and administration		7,213	9,142	14,339	10,924
Professional fees		161	161	161	161
Share based compensation		–	66,597	–	66,597
Transfer agent and filing fees		3,981	14,041	10,031	14,041
Travel		1,132	–	1,132	–
Loss before other items		(40,844)	(148,176)	(80,082)	(155,908)
Foreign exchange gain (loss)		4,446	(1,579)	(10,553)	5,058
Net and Comprehensive loss for the year		\$ (36,398)	\$ (149,755)	\$ (90,635)	\$ (150,850)
Loss per share – basic and diluted		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted		73,119,486	50,800,059	72,093,375	49,544,070

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

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

<i>(In Canadian dollars)</i>	Six months ended June 30, 2021	Six months ended June 30, 2020
Cash flows provided by (used in) operating activities		
Net loss for the period	\$ (90,635)	\$ (150,850)
Non-cash items:		
Share-based compensation	—	66,597
Changes in working capital items:		
Amounts receivables	(355)	14,253
Accounts payable and accrued liabilities	(1,472)	10,976
Due to related parties	25,608	26,875
	(66,857)	(32,149)
Cash flows provided by (used in) investing activities		
Exploration and evaluation asset	(407,704)	(62,638)
	(407,704)	(62,638)
Cash flows provided by (used in) financing activities		
Shares issued	296,714	—
Subscriptions received	—	142,800
	296,714	142,800
Increase (decrease) in cash	(177,847)	48,013
Cash, beginning of period	898,521	197,352
Cash, end of period	\$ 720,674	\$ 245,365
NON CASH TRANSACTIONS		
Shares issued for assets	\$ —	\$ 450,000

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

	Number of Common Shares	Share Capital	Shares Subscribed	Share-based payment reserve	Deficit	Total
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 subscribed	—	—	142,800	—	—	142,800
Reserves	—	—	—	66,597	—	66,597
Net loss for the six months ended June 30, 2020	—	—	—	—	(150,850)	(150,850)
Balance at June 30, 2020	51,466,726	\$ 20,561,860	142,800	\$ 4,659,290	\$ (23,847,565)	\$ 1,516,385
Balance at December 31, 2020	71,067,264	\$ 21,805,328	—	\$ 4,723,052	\$ (24,372,518)	\$ 2,155,862
Shares issued on exercise of warrants	2,957,142	296,714	—	—	—	296,714
Net loss for the six months ended June 30, 2021	—	—	—	—	(90,635)	(90,635)
Balance at June 30, 2021	74,024,406	\$ 22,102,042	—	\$ 4,723,052	\$ (24,463,153)	\$ 2,361,941

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

Smooth Rock Ventures Corp.
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2021
(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, BC 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 six months ended June 30, 2021, the Company had a comprehensive loss of \$(90,635) and has a deficit of \$24,463,153. These interim condensed 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 June 30, 2021, 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 interim condensed 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 interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, 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, 2020. 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.

These interim condensed consolidated financial statements were approved by the board of directors for issue on August 26, 2021.

Smooth Rock Ventures Corp.
Notes to the Interim Condensed Consolidated Financial Statements
June 30, 2021
(Expressed in Canadian dollars)

3. Significant Accounting Policies

Basis of measurement

The interim condensed 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 interim condensed 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, Smooth Rock Ventures LLC. 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.

The following table shows the classification of financial assets and liabilities under IFRS 9:

Financial assets/liabilities	
Cash	FVTPL
Deposits	Amortized cost
Accounts payable	Amortized cost

Smooth Rock Ventures Corp.
Notes to the Interim Condensed Consolidated Financial Statements
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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 the Interim Condensed Consolidated Financial Statements
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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 the Interim Condensed Consolidated Financial Statements
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(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 the Interim Condensed Consolidated Financial Statements
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(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 interim condensed 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.
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(Expressed in Canadian dollars)

4. Exploration and evaluation Assets

	Six months ended June 30, 2021	Year ended December 31, 2020
<u>Garfield Flats Property</u>		
Deferred exploration and evaluation:		
Balance, beginning	\$ 143,290	\$ 117,004
Geological consulting	—	26,286
Lease payments	—	—
Balance, ending	143,290	143,290
<u>Chucker Property</u>		
Acquisition cost:		
Balance, beginning	\$ —	\$ 246,200
Cash	—	—
Shares issued	—	—
Impairment	—	(246,200)
Balance, ending	—	—
Deferred exploration and evaluation:		
Balance, beginning	\$ —	\$ 139,737
Geological consulting	—	—
Assay and drilling	—	1,454
Claim fees	—	—
Impairment	—	(141,191)
Balance, ending	—	—
<u>Palmetto Property</u>		
Acquisition cost:		
Balance, beginning	\$ 669,350	\$ 331,000
Cash paid	—	338,350
Balance, ending	669,350	669,350
Deferred exploration and evaluation:		
Balance, beginning	\$ 51,132	\$ 18,555
Drilling	356,013	—
Geological consulting	38,591	12,600
Claim fees	—	19,977
Balance, ending	\$445,736	51,132
<u>Loman Property</u>		
Acquisition cost:		
Balance, beginning	\$ 225,000	\$ —
Shares issued	—	225,000
Balance, ending	225,000	225,000
Deferred exploration and evaluation:		
Balance, beginning	\$ 11,671	\$ —
Geological and assay fees	—	—
Claim fees	—	11,671
Balance, ending	11,671	11,671

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4. Exploration and Evaluation Assets (continued)

Giroux Property

Acquisition cost:		
Balance, beginning	\$ 252,956	\$ –
Cash paid	–	27,956
Shares issued	–	225,000
Balance, ending	252,956	252,956
Deferred exploration and evaluation:		
Balance, beginning	\$ 23,514	\$ –
Geological and assay fees	–	14,817
Claim fees	–	8,697
Balance, ending	23,514	23,514
Total exploration and evaluation assets	\$ 1,771,517	\$ 1,376,913

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, complete \$300,000 in exploration expenditures within a 2 year period and
- (ii) for an additional 25% interest \$300,000 in exploration expenditures within a 3 year period. 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.

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 (issued),
- (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 0.5% may be purchased from the vendor at any time prior to commencement of commercial production for a cash payment of USD \$200,000.

During the year ended December 31, 2020, 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 fully impaired the balance of the Chucker Property in the year ended December 31, 2020.

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4. Exploration and Evaluation Asset (continued)

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 (CAD \$338,350) (paid).

On July 28, 2020, the Company acquired the Palmetto Project. The Company 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 (issued April 22, 2020).
- (ii) USD \$20,000 upon the execution of the agreement (paid).
- (iii) USD \$20,000 on every subsequent anniversary date until the option is exercised

The Company has the option to purchase 100% of the Giroux Project. The purchase price is 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 USD \$200,000. The term of the Agreement is for 10 years, subject to the right to extend the Agreement for 2 additional terms of 10 years each, and subject to the option to purchase 100% of the Giroux property.

Subsequent to entering into the Agreement, the individual controlling the corporation (MSM Resource, LLC) that owns the property was appointed CEO and director of the Company.

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. The Company closed the acquisition on January 6, 2020 by issuing 3,000,000 common shares.

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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 January 6, 2020, the Company issued 3,000,000 common shares pursuant to the Loman property purchase agreement with a fair value of \$225,000.

On April 21, 2020 the Company issued 3,000,000 common shares pursuant to the Giroux property option agreement with a fair value of \$225,000.

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. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.11 per common share for a period of 24 months following the date of issuance. The warrants were ascribed \$nil value using the residual method. 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 private placement for gross proceeds of \$366,858 through the issuance of 5,240,827 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 warrants were ascribed \$nil value using the residual method. 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 14, 2021, 100,000 warrants at \$0.11 per warrant were exercised for 100,000 shares. Total proceeds of \$11,000 were received.

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 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 0.40%.

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5. Share Capital (continued)

Stock Options (continued)

	Options	Weighted average exercise price
Balance, December 31, 2019	3,500,000	\$ 0.078
Issued	1,000,000	\$ 0.070
Balance December 31, 2020	4,500,000	0.075
Balance June 30, 2021	4,500,000	\$ 0.075

A summary of stock options outstanding and exercisable as of June 30, 2021 is as follows:

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

Warrants

	Warrants outstanding	Weighted average exercise price	Expiry date
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	5,240,827	\$ 0.11	July 20, 2022
Finders warrants issued	160,000	\$ 0.11	July 20, 2022
Balance December 31, 2020	39,665,583		
Exercised	(100,000)	\$0.11	
Exercised	(2,857,142)	\$0.10	
Expired	(14,753,502)	\$0.10	
Balance June 30, 2021	21,954,939		

A summary of warrants outstanding and exercisable as of June 30, 2021 is as follows:

Outstanding and exercisable	Exercise price	Expiry date
1,428,572	0.11	December 27, 2022
14,359,711	0.11	July 15, 2022
765,829	0.11	July 15, 2022
5,240,827	0.11	July 20, 2022
160,000	0.11	July 20, 2022
21,954,939	0.11	

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.

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6. Accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
Trade payables	\$ 44,081	\$ 44,653
Accrued liabilities	—	14,000
	\$ 44,081	\$ 58,653

7. Related Party Transactions

The following amounts were due to related parties as at June 30, 2021 and June 30, 2020:

	June 30, 2021	December 31, 2020
Companies controlled by a director of the Company	\$ 83,659	\$ 85,941
Officers and directors of the Company	6,000	6,000
Accrued to an officer	27,887	—
	\$ 117,546	\$ 91,941

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%.

During the six months ended June 30, 2021 a company controlled by a director of the Company was paid \$38,591 for exploration and geological services.

During the six months ended June 30, 2021, \$22,500 US (\$27,887 CDN) in management fees was accrued to a director of the Company.

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.

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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.