

Columbus Energy Limited

Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2019 and 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Columbus Energy Limited:

Opinion

We have audited the financial statements of Columbus Energy Limited (the "Company"), which comprise the statements of financial position as at December 31, 2019 and December 31, 2018, and the statements of operations, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2c in the financial statements, which indicates that the Company incurred a net loss of \$84,766 during the year ended December 31, 2019 and, as of that date, had an accumulated deficit of \$16,563,983. As stated in Note 2c, these events or conditions, along with other matters as set forth in Note 2c, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia
June 15, 2020

MNP LLP
Chartered Professional Accountants

Columbus Energy Limited
Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2019	December 31, 2018
Assets		
Current		
Cash	\$ -	\$ 2,680
Goods and services tax receivable	7,977	7,087
	\$ 7,977	\$ 9,767
Liabilities		
Current		
Accounts payable and accrued liabilities	254,727	167,901
Due to related parties (Note 4)	175	4,025
	254,902	171,926
Shareholders' Equity		
Share capital (Note 5)	14,728,239	14,728,239
Contributed surplus (Note 5)	1,588,819	1,588,819
Deficit	(16,563,983)	(16,479,217)
	(246,925)	(162,159)
	\$ 7,977	\$ 9,767

Nature of Business and Continued Operations (Note 1)
Going Concern (Note 2c)
Subsequent Event (Note 8)

On behalf of the Board:

"Glen Macdonald" **Director**

"Glen Indra" **Director**

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

Columbus Energy Limited
Statements of Operations
(Expressed in Canadian Dollars)

For the Years Ended	December 31, 2019	December 31, 2018
Expenses		
Accounting and audit	\$ 10,165	\$ 9,630
Administrative consultants	6,000	12,000
Bank charges	105	268
Consulting	42,000	79,571
Office and miscellaneous	5,000	5,000
Property examination costs	-	37,500
Rent	12,000	48,000
Transfer agent	9,496	10,626
	84,766	202,595
Other expenses		
Loss on settlement of debt (Note 5)	-	625,779
Net loss for the year	\$ 84,766	\$ 828,374
Basic and diluted loss per share	\$ (0.00)	\$ (0.04)
Weighted average common shares outstanding – basic and diluted	22,410,185	19,851,863

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

Columbus Energy Limited
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2017	11,820,485	\$ 13,076,490	\$ 1,588,819	\$ (15,650,843)	\$ (985,534)
Shares issued for settlement of debt (note 5)	8,939,700	1,519,749	-	-	1,519,749
Warrant exercise (note 5)	1,650,000	132,000	-	-	132,000
Net loss for the year	-	-	-	(828,374)	(828,374)
Balance, December 31, 2018	22,410,185	14,728,239	1,588,819	(16,479,217)	(162,159)
Net loss for the year	-	-	-	(84,766)	(84,766)
Balance, December 31, 2019	22,410,185	\$ 14,728,239	\$ 1,588,819	\$ (16,563,983)	\$ (246,925)

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

Columbus Energy Limited
Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended December 31,	2019	2018
Cash flows from operating activities		
Net loss for the year	\$ (84,766)	\$ (828,374)
Adjustments for non-cash transactions:		
Loss on debt settlement (Note 5)	-	625,779
Change in non-cash working capital items:		
Goods and services tax receivable	(890)	(1,448)
Accounts payable and accrued liabilities	86,826	4,025
Due to related parties	(3,850)	70,700
Net cash used in operating activities	(2,680)	(129,318)
Financing activities:		
Bank indebtedness	-	(2)
Proceeds from warrant exercise (note 5)	-	132,000
Proceeds from private placement (note 5)	-	-
Net cash provided by financing activities	-	131,998
Increase (decrease) in cash during the year	(2,680)	2,680
Cash, beginning of the year	2,680	-
Cash, end of the year	\$ -	\$ 2,680

The Company did not engage in any investing activities during the years ended December 31, 2019 and 2018.

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

Columbus Energy Limited
Notes to the Financial Statements
For the year ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

1. Nature of Business and Continued Operations

Columbus Energy Limited (the "Company") is a junior mining company incorporated under the laws of British Columbia, Canada and is primarily engaged in the acquisition, exploration and development of natural resource properties. The Company is currently inactive with limited operations and is in the process of seeking new projects. The financial statements of the Company for the year ended December 31, 2019 were authorized for issue in accordance with a resolution of the directors on June 15, 2020.

The head office, principal address and registered and records office of the Company are located at Suite 701, 595 Howe Street, Vancouver, British Columbia, V6C 2T5.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted.

The Company was transferred to NEX by the TSX Venture exchange effective at September 30, 2015 for failure to meet Tier 2 Continued Listing Requirements. The Company's common shares trade under the symbol CEL: H. NEX is a separate board of the exchange that is designed to provide a trading forum for publicly listed companies while they assess their business plans, operations, and formulate a strategy to reactivate their business for future growth.

2. Basis of Preparation

a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which include interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC") adopted by the International Accounting Standards Board ("IASB").

b) Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Going Concern

For the year ended December 31, 2019, the Company reported a loss of \$84,766 (2018 - \$828,374) and an accumulated deficit of \$16,563,983 (December 31, 2018 - \$16,479,217). As at December 31, 2019, the Company had working capital deficiency of \$246,925 (December 31, 2018 deficiency - \$162,159) The Company is currently inactive with limited operations and is in the process of seeking business opportunities.

These financial statements have been prepared on a going concern basis, under the historical cost convention and using the accrual basis of accounting, except for cash flow information. The Company's ability to continue as a going concern is dependent upon its ability to identify new business opportunities, generate future profitable operations, and obtain the necessary financing to meet its obligations, receive the continued financial support from its officers and directors and repay any liabilities arising from normal business operations as they come due. There can be no assurance that a viable business opportunity that can be adequately financed will be identified and available to the Company. Additional equity and/or debt financing is subject to the global financial markets and prevailing economic conditions, which have recently been volatile and distressed. These factors will likely make it more challenging to obtain financing for the Company going forward. These matters and conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as going concern.

3. Significant Accounting Policies

a) Estimates, assumptions and measurement uncertainty

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from the assumptions made, relate to, but are not limited to, the following:

Provisions for deferred taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern.

b) Cash

Cash include cash on hand and deposits in bank.

c) Share-based payment transactions

The Company has adopted an incentive stock option plan which is described in Note 5.

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Columbus Energy Limited
Notes to the Financial Statements
For the year ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

c) Share-based payment transactions (continued)

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at the fair value of the 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.

d) Share issue costs

Costs associated with the issuance of share capital are charged directly to share capital.

e) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year.

Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted losses per share are the same.

f) 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 the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrants.

g) Translation of foreign currencies

The Company's functional and presentation currency is the Canadian dollar as this is the principal currency of the economic environment in which they operate. Transactions in foreign currencies (currencies other than Canadian dollars) are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Columbus Energy Limited
Notes to the Financial Statements
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(Expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

h) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

i) Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and its related risks and rewards are transferred. Financial liabilities are derecognized when they expire, are discharged or cancelled. The Company classifies its cash as financial assets measured at amortized costs, accounts payable and accrued liabilities and due to related parties as financial liabilities measured at amortized cost.

j) Newly Adopted Accounting Standards

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 Leases. IFRS 16 standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required 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.

Columbus Energy Limited
Notes to the Financial Statements
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3. Significant Accounting Policies (continued)

j) Newly Adopted Accounting Standards (continued)

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company elected to account for its Vancouver office lease as short-term and has thus not recognized a right-of-use asset and corresponding lease liability for this arrangement. There is no impact from the adoption of IFRS 16 on the Company's financial statements.

The Company has reviewed new accounting pronouncements that have been issued but are not yet effective. The Company will evaluate the impact these standards will have on the financial statements when they are finalized. Currently the effect is expected to be immaterial.

4. Related Party Transactions and Balances

Related parties and related party transactions impacting the accompanying financial statements are summarized below.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. No post-employment benefits, other long-term benefits and termination benefits were made during the years ended December 31, 2019 and 2018.

During the years ended December 31, 2019 and 2018, the Company incurred \$nil transactions with related parties (2018: \$nil).

As at Dec 31, 2019, the Company has an account payable of \$175 to its related parties (2018: \$4,025). Amounts due to related parties do not bear interest, are unsecured, and have no fixed terms of repayment. They are also uncollateralized and are repayable on demand.

5. Share Capital

The authorized share capital of the Company consists of unlimited common shares without par value. As at December 31, 2019, there are 22,410,485 (December 31, 2018 – 22,410,485) issued and outstanding common shares.

During the year ended December 31, 2018, the Company issued 8,939,700 common shares at a deemed price of \$0.10 per share in settlement of amounts owed to a shareholder of the Company of \$354,575 and accounts payable of \$539,395, totaling \$893,970.

The amount of certain accounts payable and due to related parties were settled in full through the issuance of 8,939,700 common shares. As a result of the settlement, a loss on settlement of debt of \$625,779 was determined.

During the year ended December 31, 2018, 1,650,000 warrants were exercised to purchase 1,650,000 common shares at a price of \$0.08 per share for proceeds of \$132,000.

Columbus Energy Limited
Notes to the Financial Statements
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5. Share Capital (continued)

Stock Options

The Company has adopted an incentive stock option plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of common shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the Plan will have a maximum term of five years.

The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price per share of the Company's common shares on the trading day immediately preceding the day on which the Company announces the grant of the options, less the maximum discount permitted under TSX Venture Exchange policies), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange.

Options granted under the plan vest immediately, except for consultants conducting investor relations activities which will become vested with the right to exercise one-fourth of the option upon the conclusion of each three-month period subsequent to the date of the grant of the option.

There are no stock option activities in the years ended December 31, 2019 and 2018.

Warrants

There are no warrant activities in the years ended December 31, 2019 and 2018.

6. Income Taxes

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2019 and 2018:

	2019	2018
	\$	\$
Income (loss) before taxes	(84,766)	(828,374)
Statutory tax rate	27%	27%
Expected income tax (recovery)	(22,887)	(223,661)
Non-deductible items	-	168,960
Change in unrecognized deferred tax assets	22,877	54701
Total tax expense (recovery)	-	-

The statutory tax rate has increased to 27% due to an increase in the BC corporate tax rate on January 1, 2018.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences at December 31, 2019 and 2018 are comprised of the following:

Columbus Energy Limited
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	2019	2018
	\$	\$
Mineral properties	959,215	959,215
Net capital losses	1,051,163	1,051,163
Non-capital losses	6,245,588	6,160,822
Total unrecognized deductible temporary differences	8,255,966	8,171,200

As at December 31, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$6,245,588 (2018: \$6,160,822) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	\$
2026	621,497
2027	711,427
2028	803,373
2029	585,747
2030	637,724
2031	641,308
2032	533,625
2033	582,678
2034	280,614
2035	92,510
2036	141,519
2037	326,205
2038	202,595
2039	84,766
	6,245,588

As at December 31, 2019, the Company has not recognized a deferred tax asset in respect of net capital loss carryforwards of approximately \$1,051,000 (2018: \$1,051,000) which may be carried forward indefinitely to apply against future capital gains for Canadian income tax purposes, subject to the final determination by taxation authorities.

Columbus Energy Limited
Notes to the Financial Statements
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7. Risk and Capital Management and Financial Instruments

The Company is a junior exploration company and considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company is currently inactive with limited operations and is in the process of seeking business opportunities. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

As at December 31, 2019, the Company had working capital deficit of \$246,925 and shareholders' equity deficit of \$16,563,983. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to borrow or raise additional financing from equity or debt markets.

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

a) Credit risk

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the investments in large Canadian financial institutions or with Canadian governments. Management believes that no concentration of credit risk exists with respect to investment of its cash.

b) Interest rate risk

The Company has cash balances. The Company believes it has no significant interest rate risk.

c) Market risk

The Company has no marketable financial instruments and is therefore not exposed to market risk.

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The ability for the Company to settle its financial obligation relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company is actively pursuing additional sources of financing to ensure that it can meet its ongoing operating requirements and planned expenditures. As at December 31, 2019 the Company had \$Nil cash balance (December 31, 2018 - \$2,680) to settle current liabilities of \$254,902 (December 31, 2018 - \$171,926).

e) Fair value hierarchy

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observability of the inputs used in the measurement.

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Columbus Energy Limited
Notes to the Financial Statements
For the year ended December 31, 2019 and 2018
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7. Risk and Capital Management and Financial Instruments (continued)

- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of the Company's financial assets and liabilities approximate their carrying value due to their short-term nature. The Company has not offset financial assets with financial liabilities.

8. Subsequent Event

a). The Company has proposed the issuance of 2,000,000 units at \$0.075 per unit to settle an aggregate of \$150,000 of indebtedness. Each unit comprises one common share and one share purchase warrant, exercisable at \$0.30 for one year. The debt settlement remains subject to prior exchange approval. All securities issued pursuant to the debt settlement will be subject to a four-month hold period under applicable securities laws in Canada. The transaction remains subject to regulatory approval.

b). Subsequent to year-end, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.