
ALPHA EXPLORATION LTD.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 and 2020**

(Expressed in US Dollars, except where Indicated)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Alpha Exploration Limited (the "Company") have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimates and judgments based on information currently available.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the annual audit and reviews the unaudited condensed consolidated interim financial statements prior to their submission to the Board of Directors for approval.

The accompanying unaudited condensed consolidated interim financial statements have not been reviewed by the Company's independent auditor.

ALPHA EXPLORATION LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

(Expressed in US dollars)

(Unaudited)

	Note	September 30, 2021	December 31, 2020
		\$	\$
ASSETS			
CURRENT			
Cash		386,836	1,891,681
Cash held in trust	7b	1,340,280	-
Other receivables and prepayments		62,886	9,733
		1,790,002	1,901,414
Equipment	4	211,282	133,724
Exploration and evaluation assets	5	6,588,409	4,323,826
Total assets		8,589,693	6,358,964
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	6	463,291	995,467
EQUITY			
SHARE CAPITAL	7	8,131,601	5,926,406
CONTRIBUTED SURPLUS		1,186,008	1,620,468
SUBSCRIPTION RECEIPTS ISSUED	7	1,345,852	-
DEFICIT		(2,537,059)	(2,183,377)
		8,126,402	5,363,497
Total liabilities and shareholder's equity		8,589,693	6,358,964

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 13)

Approved and authorized for issue on behalf of the Board of Directors on November 26, 2021



Director



Director

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

ALPHA EXPLORATION LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in US dollars)

(Unaudited)

	Note	THREE MONTHS ENDED SEPTEMBER 30, 2021	THREE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2021	NINE MONTHS ENDED SEPTEMBER 30, 2020
				\$	\$
EXPENSES					
Professional fees		105,573	51,719	212,089	106,216
Salaries		60,772	-	60,772	-
Office expenses		657	2,165	1,693	2,165
General and administrative expenses (recovery)		(29,599)	34,755	95,842	92,532
Finance cost		1,194	1,188	7,297	3,551
Share-based compensation		-	1,251,177	568	1,251,177
Foreign exchange (gain)/loss		(25,435)	(2,516)	(24,579)	1,176
NET AND COMPREHENSIVE LOSS		113,162	1,338,488	353,682	1,456,817
LOSS PER SHARE – Basic and diluted		0.00	0.00	0.01	0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		61,395,028	46,698,480	62,091,906	39,063,144

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

ALPHA EXPLORATION LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in US dollars, except for number of shares)

(Unaudited)

	Share Capital				Contributed Surplus	Subscripti on receipts issued	Deficit	Total
	Common Shares		Preference Shares					
	Number of Shares	Amount	Number of Shares	Amount				
		\$		\$	\$		\$	\$
Balance – December 31, 2019	35,182,200	2,931,850	-	-	-	-	(313,317)	2,618,533
Shares issued for cash	10,200,000	850,000	-	-	-	-	-	850,000
Net loss for the period	-	-	-	-	-	-	(1,456,817)	(1,456,817)
Balance – September 30, 2020	45,382,200	3,781,850	-	-	-	-	(1,770,134)	2,011,716
Balance – December 31, 2020	64,147,109	5,926,406	-	-	1,620,468	-	(2,183,377)	5,363,497
<i>Shares issued for cash</i>								
Private placement units, net of issuance costs	2,007,544	1,430,244	-	-	-	-	-	1,430,244
Allocation of unit proceeds to warrants	-	(195,894)	-	-	195,894	-	-	-
Equalization shares issued	299,643	161,018	-	-	(161,018)	-	-	-
Preference shares issued in lieu of common shares	(15,286,159)	(7,321,774)	15,286,159	8,131,601	(809,827)	-	-	-
Subscription receipts issued	-	-	-	-	-	1,345,852	-	1,345,852
Share-based compensation	-	-	-	-	340,491	-	-	340,491
Net loss for the period	-	-	-	-	-	-	(353,682)	(353,682)
Balance – September 30, 2021	51,168,137	-	15,286,159	8,131,601	1,186,008	1,345,852	(2,537,059)	8,126,402

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

ALPHA EXPLORATION LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(Expressed in US dollars)

(Unaudited)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
	\$	\$
CASH PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(353,682)	(1,456,817)
Share-based compensation	568	-
Net changes in non-cash working capital balances:		
Other receivables and prepayments	(53,153)	(8,110)
Accounts payable and accrued liabilities	(532,176)	(173,234)
Cash used in operating activities	(938,443)	(1,638,161)
INVESTING ACTIVITIES		
Net expenditures on exploration and evaluation asset expenditures	(1,880,822)	(852,631)
Purchase of equipment	(121,396)	(9,649)
Cash used in investing activities	(2,002,218)	(862,280)
FINANCING ACTIVITIES		
Proceeds from related party loan	-	350,000
Shares issued for cash	1,430,244	2,101,577
Subscription receipts issued	1,345,852	-
Cash received from financing activities	2,776,096	2,451,577
CHANGE IN CASH	(164,565)	(48,864)
CASH, BEGINNING OF PERIOD	1,891,681	169,127
RESTRICTED CASH, END OF PERIOD	(1,340,280)	-
CASH, END OF PERIOD	386,836	120,263

Supplemental Cash Flow Information (Note 11)

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

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in US dollars, except where indicated)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Alpha Exploration Ltd. (“Alpha” or the “Company”) was incorporated under the *BVI Business Companies Act*, (No. 16 of 2004) (the “**BVI Act**”) on December 6, 2011 with business registration number 1684187. Alpha’s head and registered office is located at 3rd Floor, Omar Hodge Building, Wickhams Cay 1, P.O. Box 362, Road Town, Tortola, British Virgin Islands. Alpha has one subsidiary, Alpha Exploration Eritrea Limited, an Eritrean corporation incorporated on March 13, 2018 under the laws of Eritrea (“**Alpha Eritrea**”). Alpha Eritrea currently holds the rights to the Kerkasha Project (as defined below), Alpha’s main exploration property located in Eritrea.

Alpha is a mineral exploration and development company engaged in the business of acquisition, exploration and, if warranted, development of mineral resource properties. Its objective is to locate, define and ultimately develop economic mineral deposits.

Alpha listed on the TSX Venture Exchange (“TSX-V”) on November 1, 2021, the shares of Alpha trade on the TSX-V under the symbol ALEX.

The Company had a deficit of \$2,537,059 at September 30, 2021 (December 31, 2020 - \$2,183,377), which has been funded by the issuance of equity. The Company expects to incur further losses in the development of its business. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing sufficient to cover its operating costs. The Company’s ability to continue as a going concern is dependent upon its ability to raise additional equity. The Company’s forecast indicates the existence of material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These unaudited condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these unaudited condensed interim consolidated financial statements. Management has carried out an assessment of the going concern assumption and has concluded that the Company may not have sufficient cash and cash equivalents and other financial assets to continue operating at current levels for the ensuing twelve months.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. There was no material impact on the Company’s unaudited condensed interim consolidated financial statements from the COVID-19 pandemic.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned Eritrean subsidiary, Alpha Exploration Eritrea Ltd (“Alpha Eritrea Ltd.”). Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing these unaudited condensed interim consolidated financial statements. The financial statements of each company within the consolidated group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of the parent company is the US dollar and the functional currencies of the Eritrean subsidiary is the US dollar.

These consolidated financial statements are presented in US dollars.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(Expressed in US dollars, except where indicated)

(Unaudited)

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34 - Interim Financial Reporting.. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2020.

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit and loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

The Company's unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, and are presented in US dollars except where otherwise indicated. The functional currency of the parent company is the US dollar and the functional currencies of the Eritrean subsidiary is the US dollar.

Where fair value is used to measure assets and liabilities in preparing these unaudited condensed interim consolidated financial statements, it is estimated at the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair values are determined from inputs that are classified within the fair value hierarchy defined under IFRS as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are unobservable

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2020 and have been applied consistently by the Company during the periods presented. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended December 31, 2020.

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
 (Expressed in US dollars, except where indicated)
 (Unaudited)

4. EQUIPMENT

	Camp equipment	Pump and generators	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2020	82,823	14,907	37,318	17,052	62,531	214,631
Additions	35,846	5,913	5,804	3,946	69,887	121,396
Balance, September 30, 2021	118,669	20,820	43,122	20,998	132,418	336,027

	Camp equipment	Pump and generators	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Accumulated Depreciation						
Balance, December 31, 2020	37,610	4,421	14,965	3,739	20,172	80,907
Additions	15,768	1,741	6,192	1,439	18,698	43,838
Balance, September 30, 2021	53,388	6,162	21,157	5,178	38,870	124,745

Carrying Amounts						
Balance, December 31, 2020	45,213	10,486	22,353	13,313	42,359	133,724
Balance, September 30, 2021	65,291	14,658	21,965	15,820	93,548	211,282

5. EXPLORATION AND EVALUATION ASSET

On January 10, 2018, Alpha Eritrea entered into an exploration agreement with Minister of Energy and Mines (State of Eritrea) pursuant to the Eritrean Mining Proclamation to explore for mineral resources within a defined area (the "Kerkasha area") other than construction material, mineral water and geothermal deposits. The maximum size of the agreement area was 973 km². On September 13, 2018, the agreement area was extended by 55km² to a total of 1,028km². Alpha Eritrea paid \$12,267 in 2021 in exploration license issuing fees to acquire the license which have been recorded as exploration and evaluation asset.

Alpha Eritrea obtains the exclusive right to conduct exploration operations in the agreement area and that Alpha Eritrea shall bear the sole risk and cost of exploration operations.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**
(Expressed in US dollars, except where indicated)
(Unaudited)**5. EXPLORATION AND EVALUATION ASSET (CONTINUED)**

On December 20, 2017, Alpha signed a tenement farm-out agreement with the Eritrean National Mining Company (“ENAMCO”) governing the terms of ENAMCO’s participation in the Kerkasha Project (the “ENAMCO Agreement”). Pursuant to the ENAMCO Agreement, the Eritrean government (through ENAMCO) has the right to a 10% free-carried interest in any mining project developed on the Kerkasha Project area. The Eritrean government also has the right to purchase a further 30% equity participating interest in the Kerkasha Project at any time from commencement of exploration to three months after completion of a bankable feasibility study relating to the Kerkasha Project. To purchase this participating interest, ENAMCO must pay the equivalent percentage cost of exploration up to the point of acquiring their participating interest (as determined by an independent auditor) and will thereafter contribute the same participating interest percentage in all exploration and development expenditures on the Kerkasha Project going forward. ENAMCO and Alpha will form a share company in accordance with the Commercial Code of Eritrea after ENAMCO has exercised its right of participation.

The Kerkasha Project is subject to a 2% net smelter royalty in favour of Nubian Royalty Corporation, a corporation incorporated under the BVI Act and wholly owned by insiders of Alpha (the “Nubian Royalty”). If at any time Nubian Royalty Corporation receives an offer from a third party to purchase the Nubian Royalty or any portion thereof, Alpha has a right to match any such third-party offer.

Exploration and evaluation expenditures for the nine months ended September 30, 2021 and twelve months ended December 31, 2020 were as follows:

	September 30, 2021	December 31, 2020
	\$	\$
Opening balance	4,323,826	2,608,781
Exploration costs:		
Drilling	202,069	563,135
Assays	226,584	101,838
Surveys	19,542	121,116
Technical services	185,643	231,963
Exploration licenses and fees	12,267	13,803
Labour cost	949,622	299,586
Consultancy charges	101,843	20,067
Consumable spare parts and supplies	154,575	145,647
Other direct expenses	368,590	236,432
Depreciation expenses	43,848	31,458
Other income – royalty option sale	-	(50,000)
Ending balance	6,588,409	4,323,826

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in US dollars, except where indicated)
(Unaudited)**

6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
	\$	\$
Trade and other payables	344,406	564,814
Amount due to related parties (Note 8)	25,000	430,384
Other accruals	93,885	269
Total	463,291	995,467

7. SHARE CAPITAL**a) Authorized**

The Company is authorized to issue an unlimited number of common shares without par value.

b) Financings during the nine-month periods ended September 30, 2021 and 2020:

On January 21, 2021, the Company completed a private placement of 2,007,544 units at CAD\$0.90 per share per unit for gross proceeds of CAD\$1,806,789 pursuant to the second tranche of the private placement. Each unit consists of one common share and one half of one common share purchase warrant exercisable at CAD\$1.35 per common share until January 21, 2023. Gross proceeds of \$1,234,350 were allocated to common shares and \$195,894 to the warrants.

On May 12, 2021, the Company issued to its Technical Director, Mr. Alasdair Smith, 299,643 common shares for CAD\$0.001. These shares were valued at CAD\$0.65 per share, which is assessed by the Company to be the fair value per share of the shares issued based on the subsequent issue of Subscription Receipts.

On June 11, 2021, the Company closed a private placement of 2,620,938 subscription receipts ("Subscription Receipts") at a price of CAD\$0.65 per Subscription Receipt, for total gross proceeds of CAD\$1,703,609. The proceeds from issuance are recorded on the statement of financial position as cash held in trust as the cash is held in escrow until the listing transaction is successfully completed (which was completed subsequent to September 30, 2021 (Note 12)). Each Subscription Receipt, entitles the holder to receive one common share in the Company without payment of additional consideration upon successful completion of the listing transaction. The Subscription Receipts are excluded from the calculation of earnings and diluted earnings per share until the successful completion of the listing transaction.

On June 21, 2021, 7,977,246 common shares held by Alpha's majority shareholder, Alpha Discovery Holdings Ltd., have been exchanged for non-voting preferred shares. The preferred shareholders are not entitled to receive dividends.

On September 14, 2021, the Company converted a further 7,308,913 ordinary shares held by insiders, to non-voting preferred shares. In total, 15,286,159 ordinary shares were converted to non-voting preferred shares. The preferred shareholders are not entitled to receive dividends. As a result of the transaction \$809,827 was transferred to contributed surplus.

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in US dollars, except where indicated)
(Unaudited)

7. SHARE CAPITAL (CONTINUED)

Warrants and Performance Warrants

A summary of the Company's outstanding warrants at September 30, 2021 and December 31, 2020, and the changes for the periods then ended is presented below:

	Number of warrants	Weighted average exercise price (per share) CAD\$	Weighted average life (Years)
<i>Warrants</i>			
Exercisable and outstanding, December 31, 2019	-	-	-
Issued – within private placement units	1,842,832	1.35	2.00
Exercisable and outstanding, December 31, 2020	1,842,832	1.35	1.97
Issued – within private placement units	1,003,759	1.35	2.00
Exercisable and outstanding, September 30, 2021	2,846,591	1.35	1.26
<i>Performance Warrants</i>			
Exercisable and outstanding, December 31, 2020 and 2019	-	-	-
Issued – Performance Warrants	7,000,000	0.032	10.00
Exercisable and outstanding, September 30, 2021	7,000,000	0.032	9.62

The following table summarizes the outstanding and exercisable warrants and performance warrants as at September 30, 2021:

Exercise price	Number of warrants	Expiry date	Weighted average life (Years)
CAD\$1.35	1,842,832	December 20, 2022	1.22
CAD\$1.35	1,003,759	January 21, 2023	1.31
CAD\$0.001	2,571,000*	May 12, 2031	9.62
CAD\$0.05	4,429,000*	May 12, 2031	9.62

* Performance Warrants

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
 (Expressed in US dollars, except where indicated)
 (Unaudited)

7. SHARE CAPITAL (CONTINUED)

Performance Warrants

On May 12, 2021, the Company issued 7,000,00 Performance Warrants to the Company's Technical Director and founder, Mr. Alasdair Smith. The Performance Warrants are exercisable as follows: (i) 2,571,000 at CAD\$0.001 per warrant for a period of 10 years from the date of issue and (ii) 4,429,000 at CAD\$0.05 per warrant for a period of 10 years from the date of issue. Vesting of the Performance Warrants shall occur on each date immediately following the first day which the Company closes a Qualifying Issue, Performance Warrants shall vest at a number that is equal to five percent (5%) of the number of Shares issued pursuant to such Qualifying issue. The fair value of Performance Warrants on the date of grant was determined using the Black-Scholes Option pricing Model and a probability weighting using the following weighted average assumptions:

	2021	2020
Exercise price	CAD\$0.032	Nil
Share price	CAD\$0.65	Nil
Expected life	2.6 years	Nil
Expected volatility*	114%	Nil
Expected probability of occurrence of Qualifying Issue	53%	Nil
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

The weighted average fair value of the Performance Warrants at the date of grant was CAD\$0.65 (\$0.52 USD equivalent) per share.

* Expected volatility is based on historic volatility of comparable public companies' share prices.

Options

On June 21, 2021, the Company granted 50,000 share options to consultants with each option exercisable at CAD\$1.35 per share option for a period of two years from the date of grant.

The following table summarizes the outstanding and exercisable options as at September 30, 2021:

Exercise price	Number of options	Expiry date	Weighted average life (Years)
CAD\$1.35	50,000	Jan 21, 2023	1.31

The fair value of options on the date of grant was determined using the Black-Scholes Option pricing Model using the following weighted average assumptions:

	2021	2020
Share price	CAD\$0.65	Nil
Risk free interest rate	0.17%	Nil
Expected life	0.5 years	Nil
Expected volatility	70%	Nil
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

The weighted average fair value of the Options at the date of grant was CAD\$0.65 (\$0.58 USD equivalent) per share.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in US dollars, except where indicated)
(Unaudited)**

7. SHARE CAPITAL (CONTINUED)

* Expected volatility is based on historic volatility of comparable public companies' share prices.

For the three and nine months ended September 30, 2021, the Company recorded aggregate share-based compensation of \$218,843 and \$340,491, respectively, (2020 - \$nil and \$nil, respectively), of which \$339,923 is capitalized to the exploration and evaluation assets and represents the share-based compensation for the Performance Warrants.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

As at September 30, 2021 and December 31 2020, the related party balances were as disclosed below. The amounts noted below are included in the Company's accounts payable, other receivables and loan from related party balances.

	September 30, 2021	December 31, 2020
	\$	\$
Hemera Capital Management, Cayman	25,000	-
Colonnade Mining Group Eritrea Ltd, Eritrea – common owner	-	428,924
Alasdair Smith - CEO of Alpha Exploration Eritrea Ltd.	-	1,460
Total	25,000	430,384

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
 (Expressed in US dollars, except where indicated)
 (Unaudited)

8. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

During the three and nine months ended September 30, 2021 and 2020, the related party transactions were as follows.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
			\$	\$
Shareholder Loan	-	350,000	-	350,000
Colonnade Mining Group Eritrea Ltd, Eritrea – drilling services	46,223	55,137	204,069	110,177
Colonnade Mining Group Ltd, BVI – payment on behalf of the Company for consumable purchase	2,958	-	2,958	3,472
Colonnade Mining Group Ltd, BVI – loan granted	-	20,000	-	20,000
Colonnade Mining Group Ltd, BVI – loan repayment	-	20,000	-	20,000
Hemera Capital Management, Cayman – advisory fees	25,000	50,000	75,000	50,000

Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer and the Chief Financial Officer. The aggregate compensation paid, or payable, to key management personnel during the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
	\$	\$	\$	\$
Salaries ¹	97,689	39,000	206,016	117,000
Benefits ¹	18,600	18,600	25,800	25,800
Shared-based compensation ¹	218,843	-	339,923	-
Total	335,132	57,600	571,739	142,800

¹ Salaries and benefits of Mr. Alasdair Smith, which form part of salaries and benefits noted above, are capitalized to the exploration and evaluation assets in Alpha Eritrea Ltd. Share-based compensation for the three-month and nine-month periods ended September 30, 2021 of \$218,843 and \$339,923, respectively (September 30, 2020 - \$nil and \$nil, respectively) was capitalized to exploration and evaluation assets.

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in US dollars, except where indicated)
(Unaudited)

9. MANAGEMENT OF CAPITAL

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject. There have been no changes to the Company's approach to capital management during the nine months ended September 30, 2021.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

IFRS 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in measuring fair value. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial instruments include cash, other receivables and accounts payable, of which cash is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments, with accounts payable being due on normal commercial terms.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2021 and December 31, 2020 are as follows:

	Fair Value Measurements Using Level 1	
	September 30, 2021	December 31, 2020
	\$	\$
Cash	386,836	1,891,681
Cash held in trust	1,340,280	-
	1,727,116	1,891,681

Financial risk management objectives and policies

The risks associated with the Company's financial instruments and the policies on how the Company mitigates these risks are set out below.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(Expressed in US dollars, except where indicated)

(Unaudited)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Company's expenses are primarily denominated in US dollars. The Company's corporate office is based in British Virgin Islands and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is gold and other mineral exploration whose costs are primarily incurred in US dollars.

(ii) Interest rate risk

Interest risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations. Management believes that the Company is not exposed a significant amount of interest rate risk.

(iii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk, the Company places these instruments with a high-quality financial institution, accordingly, the credit risk is considered by management to be negligible.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay its financial liabilities as they come due. The Company's liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and related party balance obligations. In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
 (Expressed in US dollars, except where indicated)
 (Unaudited)

11. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2021 \$	September 30, 2020 \$
Interest paid	-	-
Income taxes paid	-	-
<i>Non-cash transactions</i>		
Retraction of common shares	(7,321,774)	-
Issuance of preference shares	8,131,601	-
Contributed surplus from retraction of common shares	(809,827)	-
Issuance of equalization shares	161,018	-
Allocation of unit proceeds to Warrants	195,894	-
Share-based compensation included in exploration and evaluation assets	339,923	-

12. SEGMENTAL INFORMATION

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at September 30, 2021 and December 31, 2020 is as follows:

Identifiable assets	September 30, 2021 \$	December 31, 2020 \$
British Virgin Islands	2,309,411	1,986,131
Eritrea	6,280,282	4,362,833
Total assets	8,589,693	6,358,964

Identifiable liabilities	September 30, 2021 \$	December 31, 2020 \$
British Virgin Islands	190,071	307,903
Eritrea	273,220	687,564
Total liabilities	463,291	995,467

Geographic segmentation of the Company's net earnings (loss) for the three and nine months ended September 30, 2021 and 2020 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
British Virgin Islands	(142,987)	(1,303,733)	(258,965)	(1,364,285)
Eritrea	29,825	(34,755)	(94,717)	(95,532)
Net loss	(113,162)	(1,338,488)	(353,682)	(1,456,817)

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

(Expressed in US dollars, except where indicated)

(Unaudited)

13. SUBSEQUENT EVENTS

On October 7, 2021, Alpha received a shareholder loan in the amount of CAD \$100,000 from Alpha Discovery Holdings Ltd. in order to fund general corporate and working capital purposes. The shareholder loan will be payable by Alpha 18 months from the date that it was advanced at an interest rate of 5%.

On October 14, 2021, Alpha became a reporting issuer in Canada. As such, Alpha met all requirements to convert 2,620,938 Subscription Receipts to Ordinary Shares for aggregate proceeds \$1,345,852 (USD equivalent).

On October 27, 2021, the TSX Venture Exchange provided Final Acceptance to allow Alpha to list on the TSX Venture Exchange ("TSX-V").

On November 1, 2021, the shares of Alpha commenced trading on the TSX-V under the symbol ALEX.