
ALPHA EXPLORATION LTD.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 and 2021**
(Expressed in US Dollars, except where Indicated)
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

ALPHA EXPLORATION LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in US dollars)

(Unaudited)

	Note	June 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current assets			
Cash		451,284	894,808
Other receivables and prepayments		17,987	51,881
		469,271	946,689
Non-current assets			
Equipment	5	206,176	234,836
Exploration and evaluation assets	6	9,073,574	7,381,258
Total assets		9,749,021	8,562,783
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	7	633,518	778,736
Long-term liabilities			
Warrants liability	8	156,146	481,880
		789,664	1,260,616
EQUITY			
Share capital	9	10,439,025	9,331,292
Contributed surplus		1,555,328	929,989
Deficit		(3,034,996)	(2,959,114)
		8,959,357	7,302,167
Total liabilities and shareholder's equity		9,749,021	8,562,783

Nature of operations and going concern (Note 1)
Subsequent Events (Note 16)

Approved and authorized for issue on behalf of the Board of Directors on August 29, 2022

/s/ Michael Hopley

Director

/s/ Chris Van Der Westhuyzen

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

(Expressed in US dollars)

(Unaudited)

	THREE MONTHS ENDED JUNE 30, 2022	THREE MONTHS ENDED JUNE 30, 2021	SIX MONTHS ENDED JUNE 30, 2022	SIX MONTHS ENDED JUNE 30, 2021
Note				
	\$	\$	\$	\$
EXPENSES				
Professional fees	80,417	61,507	115,816	106,516
Salaries	33,728	-	68,557	-
Directors' fees	4,998	-	9,996	-
Office expenses	816	57	1,536	1,036
General and administrative expenses	81,978	68,219	125,484	125,441
Finance cost	2,326	1,883	4,527	6,103
Share based compensation	71,634	568	143,154	568
TOTAL EXPENSES	(275,897)	(132,234)	(469,070)	(239,664)
OTHER ITEMS				
Fair value adjustment on warrant liability	325,734	-	325,734	-
Foreign exchange loss	(22,256)	-	(19,714)	(856)
Other Income	-	-	87,168	-
NET AND COMPREHENSIVE INCOME (LOSS)	27,581	(132,234)	(75,882)	(240,520)
INCOME (LOSS) PER SHARE – Basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	57,397,090	64,647,090	54,732,229	63,773,800

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
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

(Expressed in US dollars)

(Unaudited)

	<u>Share Capital</u>		Number of Shares	Amount	Contributed Surplus	Subscription receipts issued	Deficit	Total
	<u>Common Shares</u>	<u>Preference Shares</u>						
	Number of Shares	Amount	Number of Shares	Amount	Contributed Surplus	Subscription receipts issued	Deficit	Total
		\$		\$	\$	\$	\$	\$
Balance – December 31, 2020	64,147,109	5,926,406	-	-	1,620,468	-	(2,183,377)	5,363,497
Shares issued for cash, net	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	(7,977,246)	(4,243,563)	7,977,246	4,243,563	-	-	-	-
Subscription receipts issued	-	-	-	-	-	1,345,851	-	1,345,851
Share-based compensation	-	-	-	-	121,648	-	-	121,648
Net loss for the period	-	-	-	-	-	-	(240,520)	(240,520)
Balance – June 30, 2021	58,477,050	3,078,211	7,977,246	4,243,563	1,776,992	1,345,851	(2,423,897)	8,020,720
Balance – December 31, 2021	53,927,019	1,199,691	15,286,159	8,131,601	929,989	-	(2,959,114)	7,302,167
Shares issued for cash, net	1,868,500	1,107,733	-	-	-	-	-	1,107,733
Share-based compensation	-	-	-	-	625,339	-	-	625,339
Net loss for the period	-	-	-	-	-	-	(75,882)	(75,882)
Balance – June 30, 2022	55,795,519	2,307,424	15,286,159	8,131,601	1,555,328	-	(3,034,996)	8,959,357

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in US dollars)
(Unaudited)

	June 30, 2022	June 30, 2021
	\$	\$
CASH PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(75,882)	(240,520)
Share-based compensation	143,154	568
Net changes in non-cash working capital balances:		
Other receivables and prepayments	33,894	(10,694)
Accounts payable and accrued liabilities	(138,420)	(800,818)
Fair value adjustment on warrant liability	(325,734)	-
Cash used in operating activities	(362,988)	(1,051,464)
INVESTING ACTIVITIES		
Net expenditures on exploration and evaluation asset expenditures	(1,180,409)	(1,033,741)
Purchase of equipment	(7,860)	(115,882)
Cash used in investing activities	(1,188,269)	(1,149,623)
FINANCING ACTIVITIES		
Shares issued for cash, net	1,107,733	1,430,244
	-	1,345,851
Cash received from financing activities	1,107,733	2,776,095
Change in cash	(443,524)	575,008
Cash, beginning of period	894,808	1,891,681
Restricted cash, end of period	-	(1,345,851)
Cash, end of period	451,284	1,120,838

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 SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in US dollars, except where indicated)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Alpha was incorporated under the *BVI Business Companies Act*, (No. 16 of 2004) (the “**BVI Act**”) on December 6, 2011 under the name “Alpha Exploration Ltd.” 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 is 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’s currently acquires its properties through negotiating with holders of concessions, claims or mineral licenses and enters into acquisition, option agreements or memorandums of understanding to acquire interests in the properties. Alpha then explores for minerals on properties through surface sampling, airborne and/or ground geophysical surveys and drilling. Alpha’s primary focus to date has been the Kerkasha project located in Eritrea, 10 km south of the city of Barentu and 135 km west-southwest of Asmara, the capital city of Eritrea (the “**Kerkasha Project**”). Alpha currently has 100% ownership of the Kerkasha Project through its wholly owned subsidiary, Alpha Eritrea .

The Company had a deficit of \$3,034,996 at June 30, 2022 (December 31, 2021 - \$2,959,114), and net working capital deficit of \$164,247 (December 31, 2021, surplus \$167,953) which have been funded by the issuance of equity. 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.

As the Company does not yet have positive cash flows from operations, it must rely on debt or equity financings to fund its operations. To date the Company’s main source of funding has been the issuance of equity securities or debt, through private placements to sophisticated investors and through public offering to institutional investors.

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.

The Company’s forecast indicates the existence of material uncertainty that raises 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. The Company’s ability to continue as a going concern is dependent upon its ability to raise additional equity.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

(Expressed in US dollars, except where indicated)

(Unaudited)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), has issued by the IASB. Accordingly, certain information normally included in annual financial statements prepared in accordance with IFRS, as issued by the IFRS has been omitted or condensed. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements for the year ended December 31, 2021.

These 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 accounting policies set out in Note 3 have been applied consistently by the Corporation during the periods presented.

The Company’s 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.

Where fair value is used to measure assets and liabilities in preparing these 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

Unless otherwise stated, all dollar amounts are in US dollars.

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, 2021. These 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, 2021. These 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 the consolidated financial statement.

The preparation of interim financial statements requires management to make judgements, 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. There have been no material revisions to the nature of judgements and amount of changes in estimates reported in the company’s December 31, 2021 annual financial statements

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
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4. NEW AND FUTURE ACCOUNTING STANDARDS AND PRONOUNCEMENTS

Certain accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable and/or are not expected to have a significant impact on the Company's financial statements.

5. EQUIPMENT

	Camp equipment	Pump and generators	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2021	158,839	20,820	46,993	21,158	132,418	380,228
Additions	2,593	-	5,267	-	-	7,860
Balance, June 30, 2022	161,432	20,820	52,260	21,158	132,418	388,088

	Camp equipment	Pump and generators	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Accumulated Depreciation						
Balance, December 31, 2021	63,575	6,847	23,781	5,698	45,507	145,392
Additions	16,497	1,288	4,501	975	13,241	36,502
Balance, June 30, 2022	80,072	8,135	28,282	6,673	58,748	181,912

Carrying Amounts						
Balance, December 31, 2021	95,264	13,973	23,212	15,460	86,911	234,836
Balance, June 30, 2022	81,358	12,685	23,978	14,485	73,670	206,176

6. 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, a total of 1,028km². Alpha Eritrea paid \$185 in exploration license issuing fees to acquire the license, recorded as exploration and evaluation asset.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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(Unaudited)

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.

On December 20, 2017, Alpha signed a tenement farm-out agreement with the Eritrean National Mining Corporation (“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 Alpha portion of 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 six months ended June 31, 2022 and twelve months ended December 31, 2021 were as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Opening balance	7,381,258	4,323,826
Exploration costs:		
Drilling	228,596	376,304
Assays	182,398	298,483
Surveys	90	19,542
Technical services	112,655	461,956
Exploration licenses and fees	11,748	12,267
Labour cost	381,064	792,800
Share-based compensation (Note 9)	482,185	464,674
Consultancy charges	-	101,843
Consumable spare parts and supplies	115,746	209,165
Other direct expenses	139,532	255,914
Depreciation expenses	38,302	64,484
Sub total	1,692,316	3,057,432
Ending balance	9,073,574	7,381,258

ALPHA EXPLORATION LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(Expressed in US dollars, except where indicated)
(Unaudited)

7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	June 30, 2022	December 31, 2021
	\$	\$
Trade and other payables	548,846	407,755
Amount due to related parties (Note 10)	53,627	277,096
Other accruals	31,045	93,885
Total	633,518	778,736

8. WARRANT LIABILITY

The Company's warrant liability arises as a result of the issuance of warrants exercisable in CAD dollars. As the denomination is different from the US dollar functional currency of the entity issuing the underlying shares, the company recognizes a derivative liability for these warrants and re-measures the liability at the end of each reporting period using the Black-Scholes model. Changes in respect of the Company's warrant liability are as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Balance, December 31, 2021	481,880	368,891
Warrants issued	-	202,652
Fair value adjustment	(325,734)	89,663
Balance at end of period	156,146	481,880

The re-measurements of the warrant liability at the end of each reporting period was calculated using the Black-Scholes model with the following weighed average assumptions and resulting fair values:

	June 30, 2022	December 31, 2021
Weighted average assumptions		
Risk-free interest rate	2.75%	0.81%
Expected dividend yield	0%	0%
Expected warrant life	0.70	1.06
Expected stock price volatility	77.00%	85.00%
Weighted average fair value	\$0.04	\$0.96

9. SHARE CAPITAL**a) Authorized**

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

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in US dollars, except where indicated)

(Unaudited)

b) Issued and Outstanding common

During the six months ended June 30, 2022, the Company completed the following financing:

On April 13, 2022, the Company issued 1,868,500 units at CAD\$0.75 per unit for gross proceeds of CAD\$1,401,375 pursuant to private placement. Each unit consists of one common share and one half of one share purchase warrant exercisable at CAD\$1.125 per common share for a period of 18 months. In connection with the private placement, Alpha paid a cash finder's fee payment equal to 6% on a proportion of the units issued.

During the six months ended June 30, 2021, the Company completed the following financings:

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 \$1,143,200 were allocated to common shares and \$202,652 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 were recorded as cash held in trust, as the cash was held in escrow, until the listing transaction was successfully completed on November 1, 2021. 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.

On June 11, 2021, the Company issued 137,944 common shares following the exercise of 137,944 performance warrants. As a result, \$72,357 to share capital representing fair value of the warrants on the date of the exercise.

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.

c) Warrants and performance warrants

A summary of the Company's outstanding warrants at six months ended June 30, 2022 and the changes for the periods then ended is presented below:

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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(Unaudited)

	Number of warrants	Weighted average exercise price CAD\$	Weighted average life (Years)
Warrants			
Exercisable and outstanding, December 31, 2021	2,846,606	1.35	1.00
Issued	934,250	1.13	1.29
Exercisable and outstanding, June 30, 2022	3,780,856	1.29	0.69

	Number of warrants	Weighted average exercise price (per share) CAD\$	Weighted average life (Years)
Performance Warrants			
Exercisable and outstanding, December 31, 2021	6,862,056	0.032	9.37
Issued – Performance Warrants	-	-	-
Exercisable and outstanding, June 30, 2022	6,862,056	0.032	8.87

The following table summarizes the outstanding and exercisable warrants and performance warrants as at June 30, 2022:

Exercise price	Number of warrants	Expiry date	Weighted average
CAD\$1.35	1,842,834	December 20, 2022	0.47
CAD\$1.35	1,003,772	January 21, 2023	0.56
CAD\$1.125	934,250	October 13, 2023	1.29
CAD\$0.001	2,433,056*	May 12, 2031	8.87
CAD\$0.05	4,429,000*	May 12, 2031	8.87

* Performance Warrants

The Performance Warrants are exercisable as follows: (i) 2,433,056 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.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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d) Options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company.

On March 8, 2022, the Company granted 100,000 share options to a director with each option exercisable at CAD\$0.66 per share option for a period of five years from the date of grant.

<i>Options</i>	Number of options	Weighted average exercise price (per option) CAD\$	Weighted average life (Years)
Outstanding, December 31, 2021	650,000	0.75	4.70
Exercisable, December 31, 2021	500,000	0.71	4.62
Granted	100,000	0.66	4.69
Outstanding, June 30, 2022	750,000	0.65	4.27
Exercisable, June 30, 2022	600,000	0.71	4.13

The following table summarizes the outstanding and exercisable options as at June 30, 2022:

Exercise price	Number of options	Expiry date	Weighted average life (Years)
CAD\$1.35	50,000	Nov 1, 2023	1.34
CAD\$0.64	450,000	Dec 6, 2026	4.44
CAD\$0.90	150,000	Dec 6, 2026	4.44
CAD\$0.66	100,000	Mar 8, 2027	4.69

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

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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:

	June 30, 2022	December 31, 2021
Share price	CAD\$0.66	CAD\$0.79
Risk free interest rate	0.97%	0.91%
Expected life	5.00 years	4.69 years
Expected volatility	138%	133%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

The weighted average fair value of the Options at the date of grant was CAD\$0.74 per share.

Share based payment expense recorded during the three and six-month periods ended June 30, 2022 were \$143,154 and \$71,634, respectively, (2021 - \$568 and \$568, respectively,) which were recorded in the condensed interim consolidated statements of loss, and \$482,185 (December 31, 2021 - \$464,674) was separately capitalized to exploration and evaluation assets (Note 6).

10. 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.

During the six months ended June 30, 2022 and twelve months ended December 31 2021, the related party balances were as follows. The amounts noted below are included in the Company's accounts payable and loan from related party balances.

	June 30, 2022	December 31, 2021
	\$	\$
Hemera Capital Management, Cayman – common owner	-	50,000
Colonnade Mining Group Eritrea Ltd, Eritrea – common owner	1,243	121,654
Frontier Equipment Supplies DMCC, UAE – common owner	41,481	11,040
Alpha Discovery Holding, BVI – common owner	-	80,265
Alasdair Smith - CEO of Alpha Exploration Eritrea Ltd.	10,903	14,137
Total	53,627	277,096

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

FOR THE SIX MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in US dollars, except where indicated)

(Unaudited)

During the three and six months ended June 30, 2022 and 2021, the related party transactions were as follows.

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
			\$	\$
Colonnade Mining Group Eritrea Ltd, Eritrea – drilling services	301,346	-	457,192	155,846
Colonnade Mining Group Eritrea Ltd, Eritrea-cash loan granted	-	-	-	1,000
Colonnade Mining Group Eritrea Ltd, Eritrea-cash loan repayment	-	-	-	1,000
Hemera Capital Management, Cayman – advisory fees	-	25,000	12,000	50,000

Compensation of key management personnel

Key management includes members of the Board of Directors and the Chief Executive Officer. The aggregate compensation paid, or payable, to key management personnel during the three and six months ended June 30, 2022 and 2021 were as follows:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
	\$	\$	\$	\$
Salaries	68,458	39,000	136,916	78,000
Benefits	18,600	18,600	37,200	22,200
Directors' fees	4,998	-	9,996	-
Shared-based compensation	-	121,080	57,898	121,080
	92,056	178,680	242,010	221,280

Note: 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.

11. 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.

ALPHA EXPLORATION LTD.

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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 six months ended June 30, 2022 compared to those applied during the year ended December 31, 2021.

12. 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, accounts payable, warrant liability and loans are recorded at fair value. The carrying value of these financial 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 June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Level 1 - Financial Assets – Cash	451,284	894,808
Level 3 - Financial Liabilities -Warrant Liability	156,146	481,880

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.

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

(i) *Currency risk*

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.

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.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(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, loan repayments 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.

13. 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 June 30, 2022 and December 31, 2021 is as follows:

Identifiable assets	June 30, 2022	December 31, 2021
	\$	\$
British Virgin Islands	1,387,584	1,606,451
Eritrea	8,361,437	6,956,332
Total assets	9,749,021	8,562,783

Identifiable liabilities	June 30, 2022	December 31, 2021
	\$	\$
British Virgin Islands	375,620	904,250
Eritrea	414,044	356,366
Total liabilities	789,664	1,260,616

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(Unaudited)

Geographic segmentation of the Company's net income (loss) for the six months ended June 30, 2022 and 2021 is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
British Virgin Islands	84,845	(64,015)	16,270	(115,408)
Eritrea	(57,264)	(68,219)	(92,152)	(125,112)
Net loss	27,581	(132,234)	(75,882)	(240,520)

14. INCOME TAXES

There are no corporate income taxes in the British Virgin Islands and mining companies in Eritrea are subject to a corporate tax rate of 38%. Non-capital losses are generally carried forward for 5 years. The Company has tax non-capital losses of approximately \$373,000 for Eritrean tax purposes which expire from 2026 – 2027. The deferred tax asset related to these losses has not been recognized. In addition, the Company has no other significant tax temporary differences that give rise to deferred tax assets or liabilities.

15 SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information	June 30, 2022	June 30, 2021
Non-cash investing and financing activities		
Retraction of common shares	-	(4,243,564)
Issuance of preference shares	-	4,243,564
Accounts payable included in exploration and evaluation assets	329,372	44,263
Issuance of equalization shares	-	161,018
Share based compensation capitalized to exploration and evaluation assets	482,185	122,270
Depreciation capitalized to exploration and evaluation assets	36,502	28,070
Change in fair value of warrant liability	325,734	-
Allocation of Unit proceeds to warrants	-	195,894

16. SUBSEQUENT EVENT

On August 2, 2022, the Company announced a non-brokered private placement financing of units ("Units") at a price of C\$0.70 per Unit (the "Offering Price"), for aggregate gross proceeds of up to CAD\$3,600,000 million and a maximum of 5,142,857 Units (the "Private Placement"). Each Unit is comprised of one ordinary share (each, a "Share") of the Company and one whole ordinary share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder to acquire one additional Share (a "Warrant Share") at an exercise price of \$1.05 per Warrant Share (the "Exercise Price") for a period of 24 months immediately following the Closing Date. In connection with the Private Placement, Alpha may pay certain arm's length parties a cash finder's fee payment equal to up to 6.0% of the Units that are sold to subscribers introduced by such parties.