
ALPHA EXPLORATION LTD.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND
2022**

(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 and have been approved by the Audit Committee and the Board of Directors.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the 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	September 30, 2023	December 31, 2022
		\$	\$
ASSETS			
Current assets			
Cash		722,821	100,464
Other receivables and prepayments		40,172	45,391
		762,993	145,855
Non-current assets			
Equipment	4	205,498	170,036
Exploration and evaluation assets	5	11,793,865	9,675,511
Total assets		12,762,356	9,991,402
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	370,667	165,289
Due to related parties	9	17,303	189,721
		387,970	355,010
Long-term liabilities			
Warrant liability	7	981,092	425,008
		1,369,062	780,018
EQUITY			
Share capital	8	15,042,820	11,559,945
Contributed surplus		1,093,398	998,758
Deficit		(4,742,924)	(3,347,319)
		11,393,294	9,211,384
Total liabilities and equity		12,762,356	9,991,402

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 24, 2023

/s/ Michael Hopley

Director

/s/ Chris Van Der Westhuyzen

Director

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

ALPHA EXPLORATION LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME / (LOSS) AND COMPREHENSIVE INCOME / (LOSS)**

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in US dollars)

(Unaudited)

		THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	Note	2023	2022	2023	2022
		\$	\$	\$	\$
EXPENSES					
Professional fees		76,978	39,912	227,486	155,728
Salaries	9	34,886	29,535	154,874	98,092
Directors' fees	9	5,000	5,002	15,000	14,998
Office expenses		-	116	1,048	1,652
General and administrative expenses		42,214	38,995	186,607	164,479
Finance cost		1,884	1,974	6,092	6,501
Share-based compensation	8 (d), 9	-	(46,379)	284,206	96,775
TOTAL EXPENSES		(160,962)	(69,155)	(875,313)	(538,225)
OTHER ITEMS					
Gain / (loss) on fair value adjustment on warrant liability	7	707,517	105,609	(556,084)	431,343
Foreign exchange gain / (loss)		(17,476)	(53,039)	14,063	(72,753)
Interest expense	6, 9	-	-	(7,961)	-
Other income		14,302	-	29,690	87,168
NET AND COMPREHENSIVE INCOME (LOSS)		543,381	(16,585)	(1,395,605)	(92,467)
INCOME (LOSS) PER SHARE – Basic and diluted		0.01	(0.00)	(0.02)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		65,588,314	56,247,025	62,771,042	55,242,710

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

ALPHA EXPLORATION LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

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

(Unaudited)

	Common Shares		Preference Shares		Contributed Surplus	Deficit	Total
	Number of Shares	Amount	Number of Shares	Amount			
		\$		\$	\$	\$	\$
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	4,311,942	2,345,859	-	-	-	-	2,345,859
Allocation of unit proceeds to warrants	-	(223,656)	-	-	-	-	(223,656)
Share-based compensation	-	-	-	-	524,760	-	524,760
Net loss for the period	-	-	-	-	-	(92,467)	(92,467)
Balance – September 30, 2022	58,238,961	3,321,894	15,286,159	8,131,601	1,454,749	(3,051,581)	9,856,663
Shares issued for cash, net	-	(11,561)	-	-	-	-	(11,561)
Warrants exercised	226,944	118,011	-	-	(118,011)	-	-
Share-based compensation	-	-	-	-	(337,980)	-	(337,980)
Net loss for the period	-	-	-	-	-	(295,738)	(295,738)
Balance – December 31, 2022	58,465,905	3,428,344	15,286,159	8,131,601	998,758	(3,347,319)	9,211,384
Shares issued for cash, net	6,766,289	3,325,865	-	-	-	-	3,325,865
Warrants exercised	356,120	157,010	-	-	(157,010)	-	-
Share-based compensation	-	-	-	-	251,650	-	251,650
Net loss for the period	-	-	-	-	-	(1,395,605)	(1,395,605)
Balance – September 30, 2023	65,588,314	6,911,219	15,286,159	8,131,601	1,093,398	(4,742,924)	11,393,294

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

ALPHA EXPLORATION LTD.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in US dollars)

(Unaudited)

	2023	2022
	\$	\$
CASH PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(1,395,605)	(92,467)
Fair value adjustment on warrant liability	556,084	(431,343)
Share-based compensation	284,206	96,775
Net changes in non-cash working capital balances:		
Other receivables and prepayments	5,219	32,727
Accounts payable and accrued liabilities	(99,783)	46,037
Due to related parties	(172,418)	(134,148)
Cash used in operating activities	(822,297)	(482,419)
INVESTING ACTIVITIES		
Net expenditures on exploration and evaluation asset expenditures	(1,796,426)	(1,788,869)
Purchase of equipment	(87,360)	(7,860)
Disposal of equipment	2,575	-
Cash used in investing activities	(1,881,211)	(1,796,729)
FINANCING ACTIVITIES		
Shares issued for cash, net	3,325,865	2,345,859
Cash provided by financing activities	3,325,865	2,345,859
Change in cash	622,357	66,711
Cash, beginning of period	100,464	894,808
Cash, end of period	722,821	961,519

Supplemental Cash Flow Information (Note 11)

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

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Expressed in US dollars, except where indicated)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Alpha Exploration Ltd. (“Alpha” on the “Company”) 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 February 5, 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. The Company trades on the TSX Venture Exchange under the symbol “ALEX”.

The Company had a deficit of \$4,742,924 at September 30, 2023 (December 31, 2022 - \$3,347,319), and net working capital of \$375,023 (December 31, 2022 – working capital deficit of \$209,155) 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.

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. These matters indicate the existence of material uncertainties 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. The Company’s ability to continue as a going concern is dependent upon its ability to raise additional equity.

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 consolidated financial statements.

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.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**a) Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”), as 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

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in US dollars, except where indicated)

(Unaudited)

Corporation's audited consolidated financial statements for the year ended December 31, 2022.

The condensed interim consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements are presented in US dollars, except where otherwise indicated.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2022.

These condensed interim consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on November 24, 2023.

b) Basis of Consolidation

The condensed interim consolidated financial statements include the results or financial information of Alpha Exploration Ltd. 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim consolidated 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 changes in estimates reported in the company's December 31, 2022 annual financial statements.

4. EQUIPMENT

	Camp equipment	Pump and generators	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance, December 31, 2022	161,430	20,820	53,125	21,158	132,418	388,951
Additions	4,517	-	8,111	517	74,215	87,360
Disposals	(4,592)	-	(1,443)	-	-	(6,035)
Balance, September 30, 2023	161,355	20,820	59,793	21,675	206,633	470,276

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Expressed in US dollars, except where indicated)

(Unaudited)

	Camp equipment	Pump and generators	Computer and office equipment	Furniture and fittings	Motor vehicles	Total
	\$	\$	\$	\$	\$	\$
Accumulated Depreciation						
Balance, December 31, 2022	95,818	9,424	33,884	7,814	71,975	218,915
Additions	21,022	1,874	6,003	1,593	18,831	49,323
Disposals	(2,817)	-	(643)	-	-	(3,460)
Balance, September 30, 2023	114,023	11,298	39,244	9,407	90,806	264,778
Carrying Amounts						
Balance, December 31, 2022	65,612	11,396	19,241	13,344	60,443	170,036
Balance, September 30, 2023	47,332	9,522	20,549	12,268	115,827	205,498

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, a total of 1,028km². Alpha Eritrea paid \$16,664 during the nine months ended September 30, 2023 in exploration license issuing fees to acquire the license, 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.

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 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

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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, 2023 and the year ended December 31, 2022 were as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	9,675,511	7,381,258
Exploration costs:		
Drilling	583,873	557,885
Assays	237,819	267,786
Surveys	4,000	90
Technical services	222,105	118,518
Exploration licenses and fees	16,664	12,169
Labour cost	415,328	710,029
Share-based compensation (Note 8)	246,519	76,223
Reversal of share-based compensation (Note 8)	(279,075)	-
Consumable spare parts and supplies	264,329	180,520
Other direct expenses	357,469	297,510
Depreciation expenses	49,323	73,523
Sub total	2,118,354	2,294,253
Ending balance	11,793,865	9,675,511

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2023	December 31, 2022
	\$	\$
Trade and other payables	370,667	134,244
Other accruals	-	31,045
Total	370,667	165,289

On January 31, 2023, the Company entered into a loan agreement with Astor Management AG, whereby the Company received CAD\$200,000. The loan bears interest at the rate of 8% per annum. Part of the gross proceeds of the April 6, 2023 private placement, was paid by settling the balance of the loan with Astor Management AG along with accrued interest (Note 8).

7. 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 for the nine months ended September 30, 2023 and the year ended December 31, 2022 are as follows:

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Expressed in US dollars, except where indicated)

(Unaudited)

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	425,008	481,880
Warrants issued	-	223,656
Fair value adjustment	556,084	(280,528)
Balance at end of the period	981,092	425,008

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:

	September 30, 2023	December 31, 2022
Weighted average assumptions		
Risk-free interest rate	4.97%	4.10%
Expected dividend yield	0%	0%
Expected warrant life (years)	1.26	1.13
Expected stock price volatility	71.00%	74.00%
Weighted average fair value	\$0.10	\$0.10

8. SHARE CAPITAL**a) Authorized**

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

Escrow shares

In connection with the Company's direct listing on the TSX Venture Exchange on November 8, 2021, the Company entered into an Escrow Agreement dated October 19, 2021, whereby 43,141,615 ordinary shares and 15,286,159 preferred shares were held in escrow to be released pro-rata to the shareholders according to the following schedule:

Date of Final Exchange Bulletin	5% of the Surplus Escrow Securities
6 months after the Final Exchange Bulletin	5% of the Surplus Escrow Securities
12 months after the Final Exchange Bulletin	10% of the Surplus Escrow Securities
18 months after the Final Exchange Bulletin	10% of the Surplus Escrow Securities
24 months after the Final Exchange Bulletin	15% of the Surplus Escrow Securities
30 months after the Final Exchange Bulletin	15% of the Surplus Escrow Securities
36 months after the Final Exchange Bulletin	40% of the Surplus Escrow Securities

Further 5,121,255 value escrow securities were held in escrow, to be released pro-rata according to the following schedule:

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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Expressed in US dollars, except where indicated)

(Unaudited)

Date of Final Exchange Bulletin	10% of the Value Escrow Securities
6 months after the Final Exchange Bulletin	15% of the Value Escrow Securities
12 months after the Final Exchange Bulletin	15% of the Value Escrow Securities
18 months after the Final Exchange Bulletin	15% of the Value Escrow Securities
24 months after the Final Exchange Bulletin	15% of the Value Escrow Securities
30 months after the Final Exchange Bulletin	15% of the Value Escrow Securities
36 months after the Final Exchange Bulletin	15% of the Value Escrow Securities

As at September 30, 2023, there were 30,199,136 surplus escrow shares and 2,304,565 value surplus shares held in escrow.

b) Share issuance details

Nine months ended September 30, 2023

On April 6, 2023, the Company issued 4,773,214 units at CAD\$0.70 per unit for gross proceeds of CAD\$3,341,250 (\$2,479,040 USD equivalent) pursuant to the first tranche of a private placement. Each unit consists of one common share and one share purchase warrant exercisable at CAD\$1.05 per common share for a period of 24 months. In connection with the private placement, the Company paid a cash finder's fee payment equal to 6% on a proportion of the units issued. Part of the gross proceeds was paid by settling the balance of the loan with Astor Management AG along with accrued interest.

On May 4, 2023, the Company issued 1,993,075 units at CAD\$0.70 per unit for gross proceeds of CAD\$1,395,153 (\$1,028,418 USD equivalent) pursuant to the second tranche of a private placement. Each unit consists of one common share and one share purchase warrant exercisable at CAD\$1.05 per common share for a period of 24 months. In connection with the two tranches of the private placement, Alpha incurred total cash share issue costs of \$181,593.

On June 28, 2023, the Company issued 356,120 common shares following the exercise of 356,120 performance warrants. As a result, \$157,010 was transferred to share capital representing the fair value of the warrants on the date of exercise.

Nine months ended September 30, 2022

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 (\$1,110,307 USD equivalent) pursuant to a 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 and incurred total cash share issue costs of \$47,150.

On September 13, 2022, the Company closed a private placement of 2,443,442 units at CAD\$0.70 per unit for gross proceeds of CAD\$1,710,409 (\$1,304,700 USD equivalent) pursuant to a private placement. Each unit consists of one common share and one whole share purchase warrant exercisable at CAD\$1.05 per common share for a period of 24 months. Gross proceeds of \$1,081,044 were allocated to common shares and \$223,656 to the warrants. In connection with the private placement, Alpha paid a cash finder's fee payment equal to 6% on a proportion of the units issued and incurred total share issue costs of \$33,559.

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in US dollars, except where indicated)

(Unaudited)

c) Warrants and performance warrants

A summary of the changes in warrants is presented below:

Warrants	Number of warrants	Weighted average exercise price (per share) CAD\$	Weighted average life (Years)
Exercisable and outstanding, December 31, 2021	2,846,591	1.35	0.78
Issued	3,377,689	1.07	
Expired	(1,842,832)	1.35	
Exercisable and outstanding, December 31, 2022	4,381,448	1.13	1.13
Issued	6,766,289	1.05	
Expired	(1,003,759)	1.35	
Exercisable and outstanding, September 30, 2023	10,143,978	1.06	1.26

Performance Warrants

On May 12, 2021, the Company issued 7,000,000 Performance Warrants to the Company's Technical Director and founder, Mr. Alasdair Smith. On August 1, 2021, 5% amounted to 137,944 Performance Warrants was grossed up and deducted from the initial 7,000,000 Performance Warrants. On October 4, 2022, 5% amounted to 226,944 Performance Warrants was grossed up and deducted from the initial 7,000,000 Performance Warrants. 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, defined as any issue of new shares to the extent only that it is allocated for the purpose of either providing finance for or acquiring or raising finance to enable an acquisition of any mineral exploration or development prospect located within Eritrea or Sudan. 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.

On September 27, 2023, due to Mr. Alasdair Smith's resignation, his remaining 6,278,992 performance warrants were cancelled. This resulted in a reversal of \$279,075 of previously recorded share-based compensation capitalized to exploration and evaluation assets during the years ended December 31, 2021, December 31, 2022 and nine months ended September 30, 2023 (Note 5).

	Number of warrants	Weighted average exercise price (per share) CAD\$	Weighted average life (Years)
Outstanding, December 31, 2021	6,862,056	0.032	9.37
Exercised – Performance Warrants	(226,944)	0.001	
Outstanding, December 31, 2022	6,635,112	0.034	8.37
Exercised – Performance Warrants	(356,120)	0.001	
Cancelled – Performance Warrants	(6,278,992)	0.04	
Outstanding, September 30, 2023	-	-	-

ALPHA EXPLORATION LTD.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022
(Expressed in US dollars, except where indicated)
(Unaudited)**

The following table summarizes the outstanding and exercisable warrants and performance warrants as at September 30, 2023:

Exercise price	Number of warrants	Expiry date	Weighted average life (Years)
CAD\$1.125	934,247	October 13, 2023	0.03
CAD \$1.05	2,443,442	September 13, 2024	0.96
CAD \$1.05	4,773,214	April 6, 2025	1.52
CAD \$1.05	1,993,075	May 4, 2025	1.59

Subsequent to September 30, 2023, a total of 934,247 warrants with an exercise price of CAD\$1.125 expired unexercised.

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
Exercise price	CAD\$0.032
Share price	CAD\$0.65
Expected life	3.6 years
Expected volatility*	114%
Expected probability of occurrence of Qualifying Issue	53%
Expected forfeiture	Nil
Expected dividends	Nil

* Expected volatility is based on historic volatility of comparable public companies' share prices. The weighted average fair value of the Performance Warrants at the date of grant was CAD \$nil (2021: CAD\$0.65 /\$0.52 USD equivalent) per share.

During the year ended December 31, 2021, the fair value of Performance Warrants on the date of grant was determined using the Black-Scholes Option Pricing Model with a probability weighting using the weighted average assumptions for exercise price, share price, expected term, expected volatility, expected probability of future financing, expected forfeiture, and expected dividends. For the year ended December 31, 2022, management performed an evaluation of the assumptions used in the calculations and changed some of the estimates, specifically the expected number of shares to be issued. The effect of the nature and the amount of this change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods is impracticable to estimate.

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	2022
Exercise price	CAD\$0.032
Share price	CAD\$0.65
Expected life	3.4 years
Expected volatility*	158%
Expected probability of occurrence of Qualifying Issue	26%
Expected forfeiture	Nil
Expected dividends	Nil

The change in estimate of the reduced expected number of shares to be issued decreased the total share-based compensation expense capitalized to exploration and evaluation assets for the year ended December 31, 2022 (Note 5).

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 are exercisable within one year of termination of employment or holding office as a director or officer of the Company and 30 days of termination of a person engaged in investor relations activities.

On May 3, 2023, the Company granted 300,000 share options to an officer with each option exercisable at CAD\$0.59 per share option for a period of five years from the date of grant.

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.

A summary of the changes in stock options is presented below:

Options	Number of warrants	Weighted average exercise price (per share) CAD\$	Weighted average life (Years)
Exercisable and outstanding, December 31, 2021	650,000	0.75	4.70
Issued	100,000	0.66	
Outstanding, December 31, 2022	750,000	0.74	3.76
Issued	300,000	0.59	
Outstanding, September 30, 2023	1,050,000	0.70	3.47
Exercisable, September 30, 2023	1,050,000	0.70	3.47

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The following table summarizes the outstanding and exercisable options as at September 30, 2023:

Exercise price	Number of options	Expiry date	Weighted average life (Years)
CAD\$1.35	50,000	Nov 1, 2023	0.09
CAD\$0.64	450,000	Dec 6, 2026	3.19
CAD\$0.90	150,000	Dec 6, 2026	3.19
CAD\$0.66	100,000	Mar 8, 2027	3.44
CAD\$0.59	300,000	May 3, 2028	4.59

Subsequent to September 30, 2023, a total of 50,000 stock options with an exercise price of CAD\$1.35 expired unexercised.

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:

	2023	2022
Share price	CAD\$0.59	CAD\$0.66
Risk free interest rate	2.87%	0.97%
Expected life	5.00 years	5.00 years
Expected volatility	109%	133%
Expected forfeiture	Nil	Nil
Expected dividends	Nil	Nil

During the nine months ended September 30, 2023, the weighted average fair value of the options at the date of grant was CAD \$0.59 (2022 – CAD\$0.72) per share.

Share-based payment expense recorded during the nine months ended September 30, 2023 was \$284,206 (2022 - \$96,775) which was recorded in the consolidated statements of loss, \$246,519 (2022 - \$427,985) was separately capitalized to exploration and evaluation assets and \$279,075 was reversed for previously recorded share-based compensation capitalized to exploration and evaluation assets during the years ended December 31, 2021, December 31, 2022 and nine months ended September 30, 2023 (Note 5).

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9. 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.

At September 30, 2023 and December 31, 2022, the related party balances were as disclosed below:

	September 30, 2023	December 31, 2022
	\$	\$
Hemera Capital Management, Cayman – common owner	6,000	6,000
Colonnade Mining Group Eritrea Ltd, Eritrea – common owner	(1,779)	780
Frontier Equipment Supplies DMCC, UAE – common owner	-	14,375
Michael Hopley - CEO	3,082	23,815
Anna Nydegger - Director	10,000	5,000
Alpha Discovery Holding, BVI – common owner	-	80,265
Alasdair Smith - CEO of Alpha Exploration Eritrea Ltd.	-	59,486
Total	17,303	189,721

On October 7, 2021, a shareholder, Alpha Discovery Holdings Limited provided an unsecured loan to the Company in the principal amount of CAD\$100,000 (the "Loan"). The Loan was for an 18-month term ending on April 7, 2023 and was repaid on May 1, 2023. The proceeds from the Loan were used by the Company for working capital purposes. The Loan was bearing interest rate of 5% per annum and was unsecured.

During the three and nine months ended September 30, 2023 and 2022, the related party transactions were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Colonnade Mining Group Eritrea Ltd, Eritrea – drilling services	364,930	159,762	620,619	388,358
Hemera Capital Management, Cayman – advisory fees	6,000	6,000	18,000	18,000
Frontier Equipment Supplies DMCC, UAE - purchase	852	-	156,644	30,441

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(Unaudited)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, 2023 and 2022 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries	66,346	75,525	211,281	231,455
Benefits	8,600	8,600	20,800	20,800
Directors' fees	5,000	5,002	15,000	14,998
Accounting fees	7,978	-	28,615	-
Advisory fees	6,000	6,000	18,000	18,000
Shared-based compensation	(248,745)	(112,098)	229,450	485,883
	(154,821)	(16,971)	523,146	771,136

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. Accounting fees are for the current CFO. Share-based compensation for the nine months ended September 30, 2023 of \$246,519 (2022 - \$427,985) was capitalized to exploration and evaluation assets and \$279,075 (2022 - \$nil) was reversed for previously recorded share-based compensation capitalized to exploration and evaluation assets during the years ended December 31, 2021, December 31, 2022 and nine months ended September 30, 2023.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Company's financial instruments include cash, other receivables, accounts payable, warrant liability and due to related parties. 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 September 30, 2023 and December 31, 2022 are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Level 1 - Financial Assets – Cash	722,821	100,464
Level 3 - Financial Liabilities - Warrant Liability	981,092	425,008

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. There have been no changes in any risk management policies since December 31, 2022.

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11. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30, 2023	September 30, 2022
	\$	\$
Non-cash transactions		
Accounts payable included in exploration and evaluation assets	305,161	247,869
Change in fair value of warrant liability	(566,084)	431,343
Allocation of unit proceeds to warrants	-	223,656
Share-based compensation capitalized to exploration and evaluation assets (recovery)	(32,556)	427,985
Depreciation capitalized to exploration and evaluation assets	49,323	56,700

12. SEGMENTED 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, 2023 and December 31, 2022 is as follows:

Identifiable assets	September 30, 2023	December 31, 2022
	\$	\$
British Virgin Islands	559,337	99,545
Eritrea	12,203,019	9,891,857
Total assets	12,762,356	9,991,402

Identifiable liabilities	September 30, 2023	December 31, 2022
	\$	\$
British Virgin Islands	1,065,681	628,567
Eritrea	303,381	151,451
Total liabilities	1,369,062	780,018

Geographic segmentation of the Company's net income (loss) for the three and nine months ended September 30, 2023 and 2022 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
British Virgin Islands	577,841	16,400	(1,291,490)	32,670
Eritrea	(34,460)	(32,985)	(104,115)	(125,137)
Net income (loss)	543,381	(16,585)	(1,395,605)	(92,467)

13. SUBSEQUENT EVENTS

On November 14, 2023, a total of 15,286,159 preferred shares were converted to ordinary common shares.

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On November 14, 2023, the Company amended its Escrow Agreement dated October 19, 2021 to reflect the Company's updated share structure and conversion of preferred shares to ordinary common shares.