ALPHA EXPLORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in US Dollars, except where indicated)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Alpha Exploration Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Alpha Exploration Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicate that the Company may not have sufficient cash and other financial assets to continue operating at current levels for the ensuing twelve months. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Alpha Exploration Ltd. for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on May 1, 2023.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

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Assessment of Impairment Indicators of the Exploration and Evaluation Asset (E&E Asset)

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's E&E Asset was $12,470,777 as of December 31, 2023. As more fully described in Notes 2 and 3 to the consolidated financial statements, management assesses the E&E Asset for indicators of impairment at each reporting period.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Asset is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Asset, specifically relating to the asset's carrying amount which is impacted by the Company's intent and ability to continue to explore and evaluate this asset. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Asset.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the financial statements. Our audit procedures included, among others:

- Evaluating management's assessment of impairment indicators.
- Evaluating the intent for the E&E Asset through discussion and communication with management.
- Reviewing the Company's recent expenditure activity and expenditure budgets for future periods.
- Assessing compliance with agreements and expenditure requirements including reviewing option agreements and vouching cash payments and share issuances.
- Obtaining confirmation of title to ensure mineral rights underlying the E&E Asset are in good standing.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year ended and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 25, 2024

ALPHA EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND 2022
(Expressed in US dollars)

	Note	2023	2022
		$	$
ASSETS			
Current assets			
Cash		3,233,573	100,464
Other receivables and prepayments		19,652	45,391
		3,253,225	145,855
Non-current assets			
Equipment	4	190,844	170,036
Exploration and evaluation asset	5	12,470,777	9,675,511
Total assets		15,914,846	9,991,402
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	408,102	165,289
Due to related parties	9	177,090	189,721
Warrant liability	7	19,315	58,597
		604,507	413,607
Long-term liabilities			
Warrant liability	7	540,960	366,411
		1,145,467	780,018
EQUITY			
Share capital	8	17,243,702	11,559,945
Contributed surplus	8	1,631,900	998,758
Deficit		(4,106,223)	(3,347,319)
		14,769,379	9,211,384
Total liabilities and equity		15,914,846	9,991,402

Nature of operations and going concern (Note 1)
Subsequent event (Note 15)

Approved and authorized for issue on behalf of the Board of Directors on April 25, 2024

/s/ Michael Hopley — Director

/s/ Chris Van Der Westhuyzen — Director

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

ALPHA EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in US dollars)

	Note	2023	2022
		$	$
EXPENSES			
Professional fees	9	359,573	211,843
Salaries	9	104,056	142,665
Directors' fees	9	20,000	19,998
Office expenses		2,652	1,652
General and administrative expenses		237,869	202,322
Finance cost		8,123	9,579
Share-based compensation	8(d), 9	153,203	110,557
TOTAL EXPENSES		(885,476)	(698,616)
OTHER ITEMS			
Gain on fair value adjustment on warrant liability	7	18,443	280,528
Foreign exchange gain / (loss)		84,918	(57,285)
Interest expense	6, 9	(7,961)	-
Other income		31,172	87,168
LOSS AND COMPREHENSIVE LOSS		(758,904)	(388,205)
LOSS PER SHARE – Basic and diluted		$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted		65,842,145	56,052,644

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

ALPHA EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in US dollars, except for number of shares)

	Common Shares		Preference Shares				
	Number of Shares	Amount	Number of Shares	Amount	Contributed Surplus	Deficit	Total
		$		$	$	$	$
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	2,334,298	-	-	-	-	2,334,298
Allocation of unit proceeds to warrants	-	(223,656)	-	-	-	-	(223,656)
Warrants exercised	226,944	118,011	-	-	(118,011)	-	-
Share-based compensation	-	-	-	-	186,780	-	186,780
Loss for the year	-	-	-	-	-	(388,205)	(388,205)
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	12,737,719	6,349,962	-	-	-	-	6,349,962
Allocation of unit proceeds to warrants	-	(153,710)	-	-	-	-	(153,710)
Warrants exercised	356,120	157,010	-	-	(157,010)	-	-
Conversion of preference shares to ordinary common shares	15,286,159	7,462,096	(15,286,159)	(8,131,601)	669,505	-	-
Share-based compensation	-	-	-	-	120,647	-	120,647
Loss for the year	-	-	-	-	-	(758,904)	(758,904)
Balance – December 31, 2023	86,845,903	17,243,702	-	-	1,631,900	(4,106,223)	14,769,379

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

ALPHA EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in US dollars)

	2023	2022
	$	$
CASH PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES		
Loss for the year	(758,904)	(388,205)
Gain on fair value adjustment on warrant liability	(18,443)	(280,528)
Share-based compensation	153,203	110,557
Interest expense	7,871	-
Unrealized foreign exchange gain	(8,646)	-
Net changes in non-cash working capital balances:		
Other receivables and prepayments	25,739	6,490
Accounts payable and accrued liabilities	70,521	(423,162)
Due to related parties	67,634	(87,375)
Cash used in operating activities	(461,025)	(1,062,223)
INVESTING ACTIVITIES		
Net expenditures on exploration and evaluation asset expenditures	(2,555,207)	(2,057,696)
Purchase of equipment	(94,887)	(8,723)
Disposal of equipment	2,575	-
Cash used in investing activities	(2,647,519)	(2,066,419)
FINANCING ACTIVITIES		
Shares issued for cash, net	6,170,610	2,334,298
Loan proceeds received, net of repayments	71,043	-
Cash provided by financing activities	6,241,653	2,334,298
Change in cash	3,133,109	(794,344)
Cash, beginning of year	100,464	894,808
Cash, end of year	3,233,573	100,464

Supplemental Cash Flow Information (Note 12)

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

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 $4,106,223 at December 31, 2023 (2022 - $3,347,319), and net working capital of $2,648,718 (2022 – working capital deficit of $267,752) 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 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 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 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 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. MATERIAL ACCOUNTING POLICY INFORMATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue in accordance with a resolution from the Board of Directors on April 25, 2024.

b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Functional and presentation currency

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 and the Eritrean subsidiary is the US dollar.

These consolidated financial statements are presented in US dollars.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Eritrean subsidiary, Alpha Exploration Eritrea Ltd. ("Alpha Eritrea"). Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

c) Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on straight-line method over the estimated useful lives of each part of an item of equipment at the following rates per annum.

Depreciation commences when the assets are available for their intended use and is recognized on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Maintenance and repairs are charged to expense as incurred. When significant parts of an item included in fixed assets have different useful lives, they are accounted for as separate components of the asset and depreciated over their estimated useful life on a straight-line basis.

Motor vehicles	20%
Generators and pumps	16% first year, 12% thereafter
Camp equipment	20%
Computer and office equipment	20%
Furniture and fittings	10%

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

d) Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

e) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of the share-based payments is measured using the Black-Scholes Option Pricing Model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in the share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserve amount is transferred to share capital.

f) Share capital

The Company's common shares, share warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. For equity offerings of units consisting of a common share and warrants, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and warrants based on residual value. When warrants are exercised, the corresponding value is transferred from equity reserve to common stock.

g) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method. Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development.

In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

h) Foreign currency

Transactions and balances in currencies other than the US dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

i) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

j) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

k) Income taxes

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

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

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

The Company is not subject to income taxes in the British Virgin Islands where the head office is located.

The Company currently does not have any income or losses in Eritrea, as all expenditures are capitalized to the exploration and evaluation assets.

l) Financial instruments

The classifications and measurement of the Company's financial assets and liabilities are as follows:

<u>Financial assets</u>

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and receivables are measured at amortized cost.

<u>Financial liabilities</u>

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and due to related parties are measured at amortized cost, and derivative warrant liabilities are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

m) Warrants

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in a private placement is determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as derivative liability, if the exercise price currency differs from the Company's functional currency.

The Company has warrants exercisable in Canadian dollars whereas the Company's functional currency is US dollars. In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as a liability and measured at fair value with changes in fair value recognized in the consolidated statements of profit or loss at each period-end. The liabilities will ultimately be converted into the Company's equity (common shares) when the warrants are exercised or will be extinguished on the expiry of the outstanding warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the warrants are remeasured at their estimated fair value. Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the warrant is exercised less the exercise price of the warrant). Any remaining fair value is recorded through the consolidated statements of profit or loss as part of the change in estimated fair value of the warrant liabilities.

Where warrants are granted to employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the warrants are exercised and shares are issued. Upon exercise, shares are issued from treasury and the amount reflected is credited to share capital, adjusted for any consideration paid.

Adoption of New Accounting Standards

There were no new standards effective for the year ended December 31, 2023 that materially impacted the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes may differ from these estimates. These consolidated financial statements include estimates which, by nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Significant accounting estimates

i. the inputs used in valuation for share-based payments and warrants

The fair value of share-based payments and warrants is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Significant accounting judgments

i. the evaluation of the Company’s ability to continue as a going concern

The preparation of these consolidated financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern, as discussed in Note 1.

ii. the estimated useful life of equipment

Judgment is required in determining the useful lives of equipment. Actual useful lives may differ from those estimated.

iii. the utilization of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statements of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

iv. rehabilitation provisions

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred may differ from those amounts estimated.

v. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable.

The carrying value of mineral property acquisition costs is reviewed each reporting period to determine whether there is any indication of impairment. The determination of indications of impairment, and if identified then an impairment test, involves the application of a number of significant judgments and estimates to certain variables including metal price trends, plans for the mineral property, existing permits and the results of exploration and evaluation to date.

(Expressed in US dollars, except where indicated)

4. 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	2,591	-	6,132	-	-	8,723
Balance, December 31, 2022	161,430	20,820	53,125	21,158	132,418	388,951
Additions	11,444	-	8,111	1,117	74,215	94,887
Disposals	(4,592)	-	(1,443)	-	-	(6,035)
Balance, December 31, 2023	168,282	20,820	59,793	22,275	206,633	477,803

	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	45,491	145,392
Additions	32,243	2,577	10,103	2,116	26,484	73,523
Balance, December 31, 2022	95,818	9,424	33,884	7,814	71,975	218,915
Additions	28,411	2,498	8,535	2,142	29,918	71,504
Disposals	(2,817)	-	(643)	-	-	(3,460)
Balance, December 31, 2023	121,412	11,922	41,776	9,956	101,893	286,959
Carrying Amounts						
Balance, December 31, 2022	65,612	11,396	19,241	13,344	60,443	170,036
Balance, December 31, 2023	46,870	8,898	18,017	12,319	104,740	190,844

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. Alpha Eritrea paid $11,375 during the year ended December 31, 2023 in exploration license issuing fees to acquire the license, recorded as exploration and evaluation asset.

Alpha Eritrea has 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 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.

(Expressed in US dollars, except where indicated)

Exploration and evaluation expenditures for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
	$	$
Opening balance	9,675,511	7,381,258
Exploration costs:		
Drilling	800,619	557,885
Assays	312,259	267,786
Surveys	4,000	90
Technical services	268,874	118,518
Exploration licenses and fees	17,874	12,169
Labour cost	591,910	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	305,716	180,520
Other direct expenses	455,066	297,510
Depreciation expenses	71,504	73,523
Sub total	2,795,266	2,294,253
Ending balance	12,470,777	9,675,511

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2023	2022
	$	$
Trade and other payables	396,533	134,244
Other accruals	11,569	31,045
Total	408,102	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 was bearing 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 years ended December 31, 2023 and 2022 are as follows:

(Expressed in US dollars, except where indicated)

	2023	2022
	$	$
Balance at beginning of year	425,008	481,880
Warrants issued	153,710	223,656
Fair value adjustment	(18,443)	(280,528)
Balance at end of the year	560,275	425,008
Less: non-current portion	(540,960)	(366,411)
	19,315	58,597

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

	2023	2022
Weighted average assumptions		
Risk-free interest rate	4.47%	4.10%
Expected dividend yield	0%	0%
Expected warrant life (years)	1.33	1.13
Expected stock price volatility	63.00%	74.00%
Weighted average fair value	$0.05	$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:

(Expressed in US dollars, except where indicated)

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

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 shares.

As at December 31, 2023, there were 32,135,278 surplus escrow shares and 1,536,377 value surplus shares held in escrow.

b) Share issuance details

Year ended December 31, 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. A total of $150,533 (CAD$202,889) in loans receivable to Astor Management AG and $49,204 (CAD$66,750) in accounts payable and accrued liabilities were settled through the issuance of common shares pursuant to this private placement.

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.

On November 14, 2023, a total of 15,286,159 non-voting preferred shares were converted to ordinary common shares. As a result of the transaction, $669,505 was transferred to contributed surplus representing the difference in the current fair value of the shares compared to the fair value assigned upon the original conversion from ordinary common shares to preferred shares during the year ended December 31, 2021.

On December 7, 2023, the Company issued 5,971,430 units at CAD$0.70 per unit for gross proceeds of CAD$4,180,001 ($3,074,208 USD equivalent) pursuant to a private placement. Gross proceeds of $2,920,498 were allocated to common shares and $153,710 to the warrants (Note 7). Each unit consists of one common share and one-half of purchase warrant exercisable at CAD$1.05 per common share for a period of 24 months. In connection with the private placement, the Company incurred cash share issuance costs of $50,111.

(Expressed in US dollars, except where indicated)

Year ended December 31, 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.

On October 4, 2022, the Company issued 226,944 common shares following the exercise of 226,944 performance warrants. As a result, $118,011 was transferred to share capital representing the fair value of the warrants on the date of exercise.

c) Warrants and performance warrants

A summary of the Company's outstanding warrants at December 31, 2023 and 2022 and the changes for the years then ended 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	9,752,002	1.05	
Expired	(1,938,006)	1.24	
Exercisable and outstanding, December 31, 2023	12,195,444	1.05	1.33

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. On June 28, 2023, 5% amounted to 356,120 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

(Expressed in US dollars, except where indicated)

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 December 31, 2023 (Note 5).

	Number of warrants	**Weighted average exercise price (per share)**	**Weighted average life (Years)**
		CAD$	
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, December 31, 2023	-	-	-

The following table summarizes the outstanding and exercisable warrants and performance warrants as at December 31, 2023:

Exercise price	**Number of warrants**	**Expiry date**	**Weighted average life (Years)**
CAD $1.05	2,443,442	September 13, 2024	0.70
CAD $1.05	4,773,214	April 6, 2025	1.27
CAD $1.05	1,993,075	May 4, 2025	1.34
CAD $1.05	2,985,713	December 7, 2025	1.94

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.

(Expressed in US dollars, except where indicated)

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.

	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. The Board of Directors determines the vesting terms of options granted.

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.

(Expressed in US dollars, except where indicated)

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

	Number of warrants	Weighted average exercise price (per share)	Weighted average life (Years)
Options		CAD$	
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	
Expired	(50,000)	1.35	
Outstanding, December 31, 2023	1,000,000	0.67	3.38
Exercisable, December 31, 2023	1,000,000	0.67	3.38

The following table summarizes the outstanding and exercisable options as at December 31, 2023:

Exercise price	Number of options	Expiry date	Weighted average life (Years)
CAD$0.64	450,000	December 6, 2026	2.93
CAD$0.90	150,000	December 6, 2026	2.93
CAD$0.66	100,000	March 8, 2027	3.19
CAD$0.59	300,000	May 3, 2028	4.34

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 year ended December 31, 2023, the weighted average fair value of the options at the date of grant was CAD $0.59 (2022 – CAD$0.66) per share.

Share-based payment expense recorded during the year ended December 31, 2023 was $153,203 (2022 - $110,557) which was recorded in the consolidated statements of profit or loss, $246,519 (2022 - $76,223) was separately 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 December 31, 2023 (Note 5).

(Expressed in US dollars, except where indicated)

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.

During the years ended December 31,2023 and 2022, the related party balances were as disclosed below:

	2023	**2022**
	$	$
Hemera Capital Management, Cayman – common owner	-	6,000
Colonnade Mining Group Eritrea Ltd, Eritrea – common owner	176,360	780
Frontier Equipment Supplies DMCC, UAE – common owner	-	14,375
Michael Hopley - CEO	730	23,815
Anna Nydegger - Director	-	5,000
Alpha Discovery Holding, BVI – common owner	-	80,265
Alasdair Smith - CEO of Alpha Exploration Eritrea Ltd.	-	59,486
Total	177,090	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 Loan was bearing interest rate of 5% per annum and was unsecured.

During the years ended December 31, 2023 and 2022, the related party transactions were as follows:

	2023	**2022**
	$	$
Colonnade Mining Group Eritrea Ltd, Eritrea – drilling services	800,619	557,660
Hemera Capital Management, Cayman – advisory fees	24,000	24,000
Frontier Equipment Supplies DMCC, UAE - purchase	156,644	33,776

(Expressed in US dollars, except where indicated)

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 years ended December 31, 2023 and 2022 were as follows:

	2023	**2022**
	$	$
Salaries	208,434	305,158
Benefits	20,800	29,400
Directors' fees	20,000	19,998
Accounting fees	36,187	16,819
Advisory fees	24,000	24,000
Shared-based compensation	98,447	132,325
	407,868	**527,700**

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 year ended December 31, 2023 of $246,519 (2022 - $76,223) 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 December 31, 2023.

10. 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.

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 year ended December 31, 2023.

11. 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 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 December 31, 2023 and December 31, 2022 are as follows:

	2023	**2022**
	$	$
Level 3 - Financial Liabilities - Warrant Liability	560,275	425,008

*The change in fair value of the Company's warrant liabilities (classified as Level 3) is disclosed in Note 7. The liabilities are remeasured at year-end using the Black-Scholes option-pricing model.

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.

(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 to 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.

(Expressed in US dollars, except where indicated)

(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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	2023 **$**	**2022** **$**
Non-cash transactions		
Conversion of preference shares to ordinary common shares	669,505	-
Accounts payable included in exploration and evaluation assets	287,922	86,811
Accounts payable included in share issuance costs	20,385	-
Allocation of unit proceeds to warrants	153,710	223,656
Share-based compensation capitalized to exploration and evaluation assets (recovery)	(32,556)	76,223
Depreciation capitalized to exploration and evaluation assets	71,504	73,523
Accounts payable and accrued liabilities settled through the issuance of common shares	49,204	-
Loan payable settled through the issuance of common shares	150,533	-
Performance warrants exercised	157,010	118,011

13. 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 non-current assets as at December 31, 2023 and December 31, 2022 is as follows:

Identifiable non-current assets	**2023**	**2022**
	$	**$**
British Virgin Islands	-	-
Eritrea	12,661,621	9,845,547
Total assets	12,661,621	9,845,547

Geographic segmentation of the Company's loss for the years ended December 31, 2023 and 2022 is as follows:

	2023	**2022**
	$	**$**
British Virgin Islands	(618,140)	(234,628)
Eritrea	(140,764)	(153,577)
Net income (loss)	(758,904)	(388,205)

(Expressed in US dollars, except where indicated)

14. INCOME TAXES

The Company is resident for tax purposes in the British Virgin Islands ("BVI"), which does not have an income tax. The Company's subsidiary, Alpha Exploration Eritrea Ltd., is resident for tax purposes in Eritrea, which is subject a corporate tax rate of 38% for mining companies. A reconciliation of income taxes computed at BVI statutory rates to the reported taxes are as follows:

	2023	**2022**
	$	$
Net loss	(758,904)	(388,205)
BVI statutory income tax rates	0%	0%
Income tax recovery at statutory rate	-	-
Effect of income taxes of:		
Tax rate difference for foreign jurisdiction	(53,490)	(58,359)
Change in deferred tax assets not recognized	53,490	58,359
Deferred income tax recovery	-	-

The Company has not recognized any deferred income tax assets. Recognition is based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets. There are no significant tax temporary differences that give rise to deferred tax assets or liabilities.

As at December 31, 2023, the Company has non-capital losses carried forward of approximately $668,000 for Eritrean tax purposes. These non-capital losses can be carried forward for 5 years. The losses expire as follows:

	Eritrea
	$
2025	141,000
2026	232,000
2027	154,000
2028	141,000
Total	668,000

15. SUBSEQUENT EVENT

On April 10, 2024, the Company issued 3,814,415 units at CAD$0.70 per unit for gross proceeds of CAD$2,670,091 pursuant to a private placement. Each unit consists of one common share and one-half of purchase warrant exercisable at CAD$1.05 per common share for a period of 24 months.