

**BLACK IRON INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**Date: November 8, 2017**

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Black Iron Inc. together with its subsidiaries (collectively, "Black Iron" or the "Company") as at and for the three and nine months ended September 30, 2017. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 and its consolidated financial statements and related notes as at and for the year ended December 31, 2016. The condensed consolidated interim financial statements and related notes of Black Iron have been prepared in accordance with IAS 34 Interim Financial Reporting. Unless otherwise noted, all references to currency in this MD&A are in U.S. dollars.

Certain information contained in the MD&A is forward-looking which involves risks and uncertainties. The forward-looking information is not based on historical fact, but is rather based on the current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company's industry, business and future financial results. Actual results could differ materially from the results contemplated by this forward-looking information due to a number of factors, including those set forth in this MD&A and under the "Cautionary Statement Regarding Forward Looking Information" and "Risk Factors" sections.

The MD&A was prepared in accordance with the requirements set out in National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Matt Simpson, the Company's Chief Executive Officer, is a qualified person as defined under National Instrument 43-101- *Standards of Disclosure for Mineral Projects* ("NI 43-101") guidelines and has reviewed the scientific and technical information contained in this MD&A.

The audit committee of the board of directors of the Company has reviewed this MD&A and the condensed consolidated interim financial statements for the three and nine months ended September 30, 2017, and Black Iron's board of directors approved these documents prior to their release.

## **Overview**

Black Iron was incorporated on June 29, 2010 pursuant to the provisions of the *Business Corporations Act* (Ontario). On October 25, 2010, Black Iron completed the acquisition of Geo-Alliance Ore East Ltd. (since renamed Black Iron (Cyprus) Ltd. ("BKI Cyprus")) which serves as an investment holding company for two Ukrainian subsidiaries: Shymanivske Steel LLC ("Shymanivske") and Zelenivske Steel LLC ("Zelenivske"). The total consideration paid for BKI Cyprus including capitalized transaction costs was \$22,934,931 and the acquisition was accounted for as an asset acquisition. During 2014, Black Iron closed a development arrangement with Metinvest whereby BKI Cyprus issued additional shares in exchange for an investment of \$20 million and a commitment to finance half of the equity required to construct the mine. On January 15, 2016, the Company bought back the 49% interest in BKI Cyprus from Metinvest for \$5.6 million. During the buy-out negotiation process, the parties agreed to assign no value to the Shymanivske property. As such, the Black Iron board of directors considered the close of the buy-out transaction to be a trigger to record an impairment charge against the Shymanivske property due to the implied valuation of the project.

Shymanivske holds an iron ore mining extraction permit over 2.56 square kilometers of land which expires on November 1, 2024 (the "Shymanivske Project" or the "Project"). Shymanivske's extraction permit can be renewed in 20 year increments. The Shymanivske Project is located near the city of Kryvyi Rih, in the Dnepropetrovsk Region of Ukraine in close proximity to two large producing iron ore mines.

The Project is currently at the exploration and evaluation stage. On January 23, 2014, Black Iron updated its Bankable Feasibility Study (“BFS”), incorporating pilot plant test work, completed on the Shymanivske Project. The updated BFS outlines an operation producing 9.9 million tonnes per year of high-grade 68% iron ore concentrate, capital expenditure of \$1,097 million (excluding sustaining capital), life of mine freight on board operating expenditure of \$44.54 per tonne, projecting a 48% internal rate of return (“IRR”), two year payback and a \$3.3 billion net present value (“NPV”) at an 8% discount rate (pre-tax) using a long term CFR benchmark iron ore concentrate price estimate (62% Fe) of \$95 per tonne and exchange rate of 8UAH:US\$1. Ukraine’s currency has substantially depreciated since publication of the BFS positively impacting project capital and operating costs. Additional details on the BFS can be found on the Company’s website ([www.blackiron.com](http://www.blackiron.com)) and SEDAR ([www.sedar.com](http://www.sedar.com)).

The Company has recently resolved its previously disclosed environmental legal cases and is making significant progress towards resolving the surface rights land cases initiated by the Company. Notwithstanding the recent progress that has been made, the Company has historically not been successful using Ukraine’s court system to resolve its legal matters. Accordingly, on December 29, 2014, the Company commenced an international arbitration process against the Government of Ukraine under the Agreement between the Government of Canada and the Government of Ukraine for the Promotion and Protection of Investments to resolve its legal disputes. Arbitrators have not yet been appointed. Please see “Financial Commitments, Contingencies and Litigation – Legal Matters” below for more information.

During a period of low iron ore prices, to utilize the excess cash held by the Company on May 19, 2016, the Company acquired 3,145,940 units (“Units”) of Euro Sun (after a share consolidation of 18.164 to 1 on September 12, 2016), or 6.3% of the issued and outstanding shares, at a price of CAD\$1.27 per Unit for total consideration of CAD\$4 million. Euro Sun has since been relisted onto the main board of the Toronto Stock Exchange (“TSX”) under the ticker symbol ESM. Euro Sun holds permits for the second largest gold deposit in Europe. As part of this transaction, Black Iron’s CEO joined Euro Sun’s board of directors.

## **Outlook**

With the rebound in iron ore prices coupled with greater clarity on the war being constrained to the Eastern part of Ukraine, roughly 450 kilometers from Black Iron’s Shymanivske Project, management is refocusing all efforts on putting the Shymanivske Project into production. From November 2016 to the end of March 2017, iron ore prices were above US\$80 per tonne, hitting a high of \$95 per tonne in February and are currently holding stable at approximately \$60 per tonne. Further, Ukraine’s exchange rate has depreciated from 8 UAH:US \$1, as used in the 2014 BFS, to approximately 27 UAH: US \$1. Assuming all other factors in the BFS remain the same, Black Iron expects that the current exchange rate will result in lower operating and capital costs to construct the Project and largely offset current lower iron ore prices. In July of this year Black Iron announced that it had commissioned a new Preliminary Economic Assessment (PEA) for the Project that will be based on a much more favorable exchange rate and phased development plan starting with 4MTpa production ramping up to 8MTpa using self-generated cash to fund the expansion. The PEA is expected to be completed in Q4 2017 and BKI expects it to show extremely favourable economics.

In addition to having favourable exchange rates and low highly skilled labour costs, Black Iron benefits from not needing to build any major infrastructure such as railways, power lines or a port as these are all in existence within very close proximity to the ore body allowing us to build the mine in a scalable manner while still achieving favourable economic returns.

As was done back in 2014, Black Iron will also be engaging firms to seek prepaid offtake and/or a joint development partner to significantly reduce the amount of equity that needs to be raised to build the mine. Additionally, we will be initiating discussions with debt finance sources.

Finally, management continues to make good progress with both the city of Kryviy Rih on the Project and also the Ministry of Defense of Ukraine to secure the surface rights necessary for the open pit, processing plant, tailings and waste rock at the Project.

### Third Quarter Highlights

- On July 19, 2017, the Company announced that it had received encouraging results from an order of magnitude economic estimate. As a result, the Company has decided to proceed with a new preliminary economic assessment (“PEA”) on its 100% owned Shymanivske Project and have engaged BBA Inc. to produce a new NI 43-101 compliant PEA set to be completed in Q4 2017.
- On July 27, 2017, the Company announced that the Kryvyi Rih City Council had publicly announced that two parcels of land held by the city of Kryvyi Rih are being transferred to Ukraine’s Forestry Department in exchange for the future transfer of two parcels of land overlapping a portion of the land the Company proposes to use for the pit at the Shymanivske Project. The exchange of the parcels of land between the City of Kryvyi Rih and Ukraine’s State Forestry Department is another important milestone in the development of the Shymanivske Project.
- As at September 30, 2017, Black Iron had approximately \$1.5 million in cash and cash equivalents (see “Liquidity and Capital Resources” section).

### Ukraine Business Environment

Ukraine's political and economic situation has undergone significant change since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest, which escalated into violent conflicts in February 2014 and continue to date in the eastern regions of Ukraine, has resulted in the Ukrainian parliament initiating elections for a new President and unscheduled parliamentary elections. It also led to the deepening of the ongoing economic crisis, widening of the state budget deficit, depletion of the National Bank of Ukraine’s foreign currency reserves, and as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. The final resolution and the effects of the political and economic crisis are difficult to predict but seem to be stabilizing with bailouts being provided by the International Monetary Fund based on ongoing reforms being successfully implemented.

The front line of conflict in Ukraine is located approximately 450 km away from the Project site and has not geographically advanced since the invasion occurred three years ago. During this entire period, the iron ore mines surrounding the Project continued to operate with parents going to work and kids to school as usual. It is Black Iron management’s view that it is highly unlikely that the front line will further advance given Russia achieved their main objectives during the initial invasion. Major international companies are also starting to share this view that it is safe to invest again in Ukraine. For example, ArcelorMittal which owns an iron ore mine and steel mill located only 1 km north of the Project recently announced their intention to invest US\$1.1 billion into their operation over the next few years.

While management believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances, a continuation of the current unstable business environment could negatively affect the Company’s results and financial position in a manner not currently determinable. The consolidated financial statements reflect management’s current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

### Selected Quarterly Financial Information

<b>Three months ended</b>	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$	\$	\$
Loss for the period	561,595	704,880	719,431	319,700
Total comprehensive (income) loss	(253,923)	(375,330)	702,995	2,110,697
Loss per share	0.00	0.00	0.00	0.00

  

<b>Three months ended</b>	<b>September 30, 2016</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	\$	\$	\$	\$
Loss (income) for the period	1,080,714	(112,892)	459,842	23,582,349
Total comprehensive loss (income)	1,450,794	(1,366,736)	459,842	23,582,349
Loss (income) per share	0.01	(0.00)	0.00	0.14

Losses in the three months ended December 31, 2015 were mainly a result of the impairment of exploration and evaluation assets related to the Shymanivske Project. The income in the three months ended June 30, 2016 and subsequent higher than recently typical losses in the three-month periods ended September 30, 2016, March 31, 2017 and June 30, 2017 were primarily due to the change in fair value of Black Iron's investment in Euro Sun. See the "Liquidity and capital resources" section. The lower than usual loss in the three months ended December 31, 2016 was the result of the reclassification during the quarter of transaction costs of \$270,418 incurred in connection with the Euro Sun investment from "Professional fees" to "change in the fair value of the investment" (included in other comprehensive loss). The Company does not have any revenues.

## Results of Operations for the Company for the three and nine months ended September 30, 2017

### Selected Financial Information

	For the three months ended September 30, 2017	For the three months ended September 30, 2016	For the nine months ended September 30, 2017	For the nine months ended September 30, 2016
	\$	\$	\$	\$
Loss for the period	561,595	1,080,714	1,985,906	1,427,664
Comprehensive (income) loss for the period	(253,923)	1,450,794	73,742	543,900
Loss per share	0.00	0.01	0.01	0.01
General and administrative:				
Consulting and management fees	291,746	207,430	812,686	643,024
Professional fees (recovery)	(24,120)	588,096	(1,134)	617,953
General office expenses	79,356	54,642	168,396	111,994
Travel expenses	73,332	8,613	162,304	16,274
Shareholder communications and filing fees	7,402	10,405	33,387	33,878
Gain on sale of fixed assets	-	-	-	(3,128)
	<b>427,716</b>	<b>869,186</b>	<b>1,175,639</b>	<b>1,419,995</b>
Exploration and evaluation expenditures:				
Land acquisition and surface rights	11,173	-	27,061	-
Preliminary economic assessment	62,833	-	62,833	-
Engineering studies	8,585	-	28,697	-
Permitting	-	2,013	-	8,083
Consulting and technical	74,577	97,510	283,589	394,559
Travel	2,102	2,649	9,006	11,191
Legal support	4,858	882	8,746	12,009
Field office support & administration	13,210	19,850	43,170	64,860
	<b>177,338</b>	<b>122,904</b>	<b>463,102</b>	<b>490,702</b>
Non-cash:				
Stock-based compensation	44,122	12,353	187,358	41,454
Change in fair value of warrant liability	-	(21,365)	-	(53,800)
Change in fair value of investment	(16,180)	94,789	294,574	(527,147)
Change in fair value of investment (included in other comprehensive loss)	(815,518)	370,080	(1,912,164)	(883,764)
	<b>(787,576)</b>	<b>455,857</b>	<b>(1,430,232)</b>	<b>(1,423,257)</b>

### **Three months ended September 30, 2017**

#### **Expenses**

##### ***General and Administrative***

Consulting and management fees are \$84,316 higher than the comparable three month period in the prior year, mainly as a result of the appointment of a new president in the first quarter of 2017.

A professional fee recovery of \$24,120 during the three months ended September 30, 2017 is the result of a recovery of legal fees incurred in the fourth quarter of 2016. Professional fees of \$588,096 in the three months ended September 30, 2016 included the fair value of warrants transferred to a private company as consideration for services received in connection with the acquisition of Euro Sun.

General office expenses of \$79,356 in the three months ended September 30, 2017 include rent and office related expenses along with marketing expenses. The Company shares office space with several other resource companies and pays its proportionate share of expenses. During the three months ended September 30, 2016, the Company recorded a general office expense of \$54,642. The increase in expenses in the current year is primarily the result of increased marketing activity.

Travel expenses were \$73,332 during the three months ended September 30, 2017 compared with \$8,613 in the same period in the prior year. The increase from the prior year is mainly the result of increased investor relations activity.

Shareholder communications and filing fees were \$7,402 during the three months ended September 30, 2017 compared with \$10,405 in the same period in the prior year.

##### ***Exploration and Evaluation Expenditure***

The Company recorded exploration and evaluation expenses of \$177,338 during the three months ended September 30, 2017. This expenditure was primarily for consulting and technical fees related to the Shymanivske Project as required primarily for land acquisition. In addition, the Company incurred expenses related to a new 43-101 compliant PEA on the Company's Shymanivske Project. This is \$54,434 higher than the same period in the prior year as the Company has re-focused efforts on getting the Shymanivske Project to production.

##### ***Non-Cash Items***

No options were issued during the three months ended September 30, 2017 or 2016. All options vest in eight equal quarterly installments. The vesting of options resulted in an expense during the three months ended September 30, 2017 of \$34,356 compared with \$3,062 during the three months ended September 30, 2016. In addition, the Company granted 121,875 deferred share units ("DSUs") to directors of the Company valued at \$9,766 compared with 304,688 DSUs valued at \$9,291 granted during the three months ended September 30, 2016.

On February 20, 2014, the Company issued 17,680,000 warrants in connection with a private placement financing. These warrants were classified as financial liabilities and were recorded at the estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Included in loss for the three months ended September 30, 2016, is a gain of \$21,365 on the change in fair value of the warrant liability. The warrants expired on February 20, 2017.

On May 19, 2016, the Company acquired 3,145,940 Units of Euro Sun. The Units consisted of one common share of Euro Sun and one half of one common share purchase warrant with an exercise price of C\$2.18 and an expiry date of May 19, 2018. Of the 1,572,970 warrants acquired, 786,485 were transferred to 2518322 Ontario Inc. as consideration for services provided in connection with the successful introduction, registration and completion of the acquisition of Units of Euro Sun. The Company has designated the investment in the common shares portion as available for sale and records the investment at the estimated fair value at each reporting date with changes in the fair value of the shares included in other comprehensive income. The changes in estimated fair value of the warrants, a derivative instrument, are included in income or loss for the period. The change in fair value of the warrants, estimated using the Black-Scholes option pricing model, for the three months ended September 30, 2017 was a gain of \$16,180 (Q3 2016 – loss of \$94,789). The change in fair value of the shares for the three months ended September 30, 2017 was a gain of \$815,518 (Q3 2016 – loss of \$370,080).

## **Nine months ended September 30, 2017**

### **Expenses**

#### ***General and Administrative***

Consulting and management fees are \$169,662 higher than the comparable nine month period in the prior year, mainly as a result of the appointment of a new president in the first quarter of 2017.

The Company recorded a professional fee recovery of \$1,134 during the nine months ended September 30, 2017 as a result of a recovery of legal fees incurred in the fourth quarter of 2016. Professional fees of \$617,953 in the nine months ended September 30, 2016 included the fair value of warrants transferred to a private company as consideration for services received in connection with the acquisition of Euro Sun. See the “Liquidity and Capital Resources” section for further details.

General office expenses of \$168,396 in the nine months ended September 30, 2017 include rent and office related expenses along with marketing expenses. The Company shares office space with several other resource companies and pays its proportionate share of expenses. During the nine months ended September 30, 2016, the Company recorded a general office expense of \$111,994. The lower expense in the prior year was due mainly to credit notes received for disputed general and administrative costs that were accrued in 2015.

Travel expenses were \$162,304 during the nine months ended September 30, 2017 compared with \$16,274 in the same period in the prior year. The increase over the prior year is due mainly to increased investor relations activities.

Shareholder communications and filing fees were \$33,387 during the nine months ended September 30, 2017 compared with \$33,878 in the same period in the prior year.

During the nine months ended September 30, 2016, the Company disposed of some excess fixed assets in the Ukraine and recorded a gain on the disposal of \$3,128. There were no disposals in the current period.

#### ***Exploration and Evaluation Expenditure***

The Company recorded exploration and evaluation expenses of \$463,102 during the nine months ended September 30, 2017. This expenditure was primarily for consulting and technical fees related to the Shymanivske Project as required primarily for land acquisition. This is \$27,600 lower than the same period in the prior year as the Company had down-sized its operations as a result of the continuing dispute discussed under “Legal Matters” and the current Ukrainian business environment.

### ***Non-Cash Items***

The Company granted 3,425,000 options to officers and consultants of the Company during the nine months ended September 30, 2017. No options were issued during the nine months ended September 30, 2016. Of the 3,425,000 options granted, 2,925,000 vest in eight equal quarterly installments with the remaining 500,000 vesting immediately. The vesting of options resulted in an expense during the nine months ended September 30, 2017 of \$159,044 compared with \$13,399 during the nine months ended September 30, 2016. In addition, the Company granted 375,782 deferred share units (“DSUs”) to directors of the Company valued at \$28,314 compared with 918,064 DSUs valued at \$28,055 granted during the nine months ended September 30, 2016.

On February 20, 2014, the Company issued 17,680,000 warrants in connection with a private placement financing. These warrants were classified as financial liabilities and were recorded at the estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Included in loss for the nine months ended September 30, 2016, is a gain of \$53,800 on the change in fair value of the warrant liability. The warrants expired on February 20, 2017.

On May 19, 2016, the Company acquired 3,145,940 Units of Euro Sun. The Units consisted of one common share of Euro Sun and one half of one common share purchase warrant with an exercise price of C\$2.18 and an expiry date of May 19, 2018. Of the 1,572,970 warrants acquired, 786,485 were transferred to 2518322 Ontario Inc. as consideration for services provided in connection with the successful introduction, registration and completion of the acquisition of Units of Euro Sun. The Company has designated the investment in the common shares portion as available for sale and records the investment at the estimated fair value at each reporting date with changes in the fair value of the shares included in other comprehensive income. The changes in estimated fair value of the warrants, a derivative instrument, are included in income or loss for the period. The change in fair value of the warrants, estimated using the Black-Scholes option pricing model, for the nine months ended September 30, 2017 was a loss of \$294,574 (2016 – gain of \$527,147). The change in fair value of the shares for the nine months ended September 30, 2017 was a gain of \$1,912,164 (2016 - \$883,764).

### ***Liquidity and Capital Resources***

The recovery of the amounts expended for resource properties are dependent on the ability of the Company to obtain necessary financing to complete the development of the Shymanivske Project or other potential projects and attain future profitable production. The Company’s financial success will depend on its ability to raise financing to construct potential projects. At present, the Company has no established sources of income and the success of its exploration and development programs will be contingent upon the Company’s ability to raise sufficient equity financing on terms favourable to the Company. The Company does not expect to generate any internal cash flows to help finance the development costs of the Shymanivske Project.

As at September 30, 2017, the Company had working capital of \$5,266,160 compared with working capital of \$5,151,576 as at December 31, 2016 including cash of \$1,537,593 (2016 - \$3,244,395). On January 15, 2016, the Company announced that it had negotiated with Metinvest to buy back its 49% interest in BKI Cyprus for \$5.6 million which gave the Company full access to the cash previously jointly held in Cyprus and the Ukrainian subsidiaries. Working capital, as at September 30, 2017, also includes investments in Euro Sun with a fair value of \$3,875,587 (2016 - \$2,257,997) (see explanation below). The Company’s primary cash flow needs are for development of its mining and exploration permits, administrative expenses and working capital. The Company will maintain its excess working capital in a combination of Canadian and U.S. dollars which will only be converted to Ukrainian Hryvnia as required. The Company maintains most of its cash reserves, including those of the Cyprus subsidiary, at a large reputable Canadian commercial bank in high quality short term deposits, cash equivalents or cash.

On May 19, 2016, the Company acquired 3,145,940 Units of Euro Sun, a company listed on the TSX for total consideration of \$3,049,710 (CAD\$4,000,000). Each Unit consisted of one common share and one half of one common share purchase warrant. On September 12, 2016, Euro Sun consolidated its shares 18.164 to one existing share. Post share consolidation, each whole warrant allows the Company to acquire one common share of Euro Sun at a price of CAD\$2.18 for a period of two years from the date of issuance. The warrant exercise period may be accelerated if the common shares of Euro Sun trade at a price above CAD\$2.72 for a period of 20 consecutive trading days. Of the 1,572,970 warrants acquired, 786,485 were transferred to 2518322 Ontario Inc. as consideration for services provided in connection with the successful introduction, registration and completion of the acquisition of Units of Euro Sun. During the year ended December 31, 2016, the Company purchased an additional 201,500 common shares of Euro Sun through the facilities of the TSX for total consideration of CAD\$250,231 (\$189,900). The estimated fair value of the shares and warrants at September 30, 2017 was \$3,875,587 (2016 - \$2,257,997). The estimated fair value of the shares of \$3,781,963 (2016 - \$1,869,799) was based on the closing price of the shares on September 30, 2017. The fair value of the warrants of \$93,624 (2016 - \$388,198) was estimated using the Black Scholes option pricing model.

### ***Normal Course Issuer Bid (“NCIB”)***

On June 23, 2015, the Company announced its intention to make a NCIB to buy back and cancel a portion of its common shares through the facilities of the TSX. Based on the 124,425,187 common shares of the Company issued and outstanding as of June 23, 2015, the maximum number of shares to be purchased and cancelled was 12,442,518. Daily purchases were limited to 56,513 common shares other than block purchase exceptions. Purchases under the NCIB were permitted to commence on June 26, 2015 and terminated on June 25, 2016. During the year ended December 31, 2016, the Company purchased and cancelled 150,000 shares pursuant to the NCIB at an average price of CAD\$0.04 per share.

### ***Cash Flows***

#### ***Three months ended September 30, 2017***

During the three months ended September 30, 2017, operating activities before working capital changes used cash of \$532,642 compared with a use of cash of \$172,876 during the three months ended September 30, 2016. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Expenditures during the three months ended September 30, 2017 also included costs associated with an order of magnitude economic estimate and a new preliminary economic assessment. Cash provided by investing activities during the three months ended September 30, 2017 was \$333 and related mainly to interest income of \$650 offset by equipment purchases of \$317. Cash used by investing activities during the three months ended September 30, 2016 was \$164,536 and related mainly to the purchase of common shares of Euro Sun. Cash used by investing activities also included interest income of \$155 on cash balances which was offset by equipment purchases of \$258.

#### ***Nine months ended September 30, 2017***

During the nine months ended September 30, 2017, operating activities before working capital changes used cash of \$1,499,893 compared with a use of cash of \$1,142,910 during the nine months ended September 30, 2016. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Expenditures during the three months ended September 30, 2017 also included costs associated with an order of magnitude economic estimate and a new preliminary economic assessment. Cash used by financing activities in the nine months ended September 30, 2016 of \$3,768 related to the purchase of shares under the NCIB described above. Cash used by investing activities during the nine months ended September 30, 2017 was \$3,113 and related mainly to the purchase of equipment which was partially offset by interest income of \$788. Cash used by investing activities during the nine months ended September 30, 2016 was \$8,853,488. Of this amount, \$5,647,235 related to the repurchase of the 49% interest in BKI Cyprus and \$3,214,143 related to the investment in Euro Sun. Cash used by investing activities also included interest income of \$9,186 on cash balances and cash received from equipment disposals of \$10,674 which was offset by equipment purchases of \$11,970.

### ***Operating Segments***

The Company has concluded that it has only one material operating segment (the development of its Ukrainian mining and exploration permits) for financial reporting purposes.

### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements, with the exception of operating leases noted below.

### **Financial Commitments, Contingencies and Litigation**

#### Leases

The Company has two leases in Ukraine: 1) office space in Kryvyi Rih, Ukraine for an annual rent of approximately \$10,000 and 2) lease of a secure warehouse to store drill cores totaling 1,254 square meters for an annual rent including security fees of approximately \$6,600. Both leases may be terminated on 30 days' notice.

#### Management Contracts

The Company is party to certain management contracts. These contracts require payments of approximately \$2.1 million to the officers of the Company upon the occurrence of a change in control of the Company, as such term is defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$687,000 pursuant to the terms of these contracts.

#### Legal Matters

##### *Arbitration Claim*

Since July 2011, the Company has been involved in various disputes with regulatory and government bodies related to ecology, work permissions and surface right matters in the Ukrainian court system. Up until March of 2017, the Company had limited success in resolving these disputes within the Ukrainian court system. As a result, the Company initiated an arbitration claim against Ukraine under the Agreement between the Government of Canada and the Government of Ukraine for the Promotion and Protection of Investments. A Notice of Claim was submitted by the Company to the Ukrainian Government on June 27, 2014. Arbitrators have not yet been appointed. Recent discussions between the Company and the Government of Ukraine resulted in the Ecology Department lifting the suspension of exploration activities on the Shymanivske Project in March 2017. Meaningful progress is also being made to resolve the surface right disputes including obtaining approval from the Kryvyi Rih City Council in March 2017 for Shymanivske Steel to initiate a land allotment process in connection with Shymanivske Steel's proposal to lease the surface rights for Shymanivske Project from the city of Kryvyi Rih.

##### *Other Matters*

A former officer of the Company has initiated a legal action seeking approximately C\$1.1 million for a change of control payment in connection with the Metinvest's investment on the Company's subsidiary in 2014. The Company does not believe the change of control payment is due to the former officer and the Company intends to defend the matter vigorously as it believes the former officer's claim is without merit.

### **Related Party Transactions**

During the nine months ended September 30, 2017, the Company paid or accrued \$851,471 (Q3 - 2016 - \$690,601) of management compensation relating to officers and directors of the Company. Included in this amount is \$172,053 (Q3 - 2016 - \$169,323) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Mr. Stan Bharti (a former director and current executive officer of the Company) is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer.

All of the related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

### **Critical Judgments and Estimation Uncertainties:**

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

#### **(a) Significant judgments in applying accounting policies**

The areas which require management to make significant judgments in applying the Company's accounting policies in determining carrying values include, but are not limited to:

##### **(i) Impairment of exploration and evaluation properties**

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets.

##### **(ii) Income taxes and recoverability of potential deferred tax assets**

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

##### **(iii) Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

##### **(iv) Impairment of financial assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, an evaluation is made as to whether a decline in fair value is significant or prolonged based on an analysis of indicators such as market price of the investment and significant adverse changes in the technological, market, economic or legal environment in which the investee operates. If an available-for-sale financial asset is impaired, an amount equal to the difference between its carrying value and its current fair value is transferred from AOCI and recognized in the consolidated statement of operations. Reversals of impairment charges in respect of equity instruments classified as available-for-sale are not recognized in the consolidated statement of operations.

**(b) Significant accounting estimates and assumptions**

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

**(i) Mineral reserve estimates**

The figures for mineral reserves and mineral resources are determined in accordance with NI 43-101, issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

**(ii) Share-Based Payments and Warrants, including warrants held for sale**

Management determines costs for share-based payments and the fair value of shares and warrants held for sale using market-based valuation techniques. The fair value of the market-based and performance-based share awards or shares and warrants held for sale are determined at the date of grant or each reporting date using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Changes in these assumptions affect the fair value estimates. Similar calculations are made in order to value warrants, including warrants held for sale. Such judgments and assumptions are inherently uncertain and there is no guarantee that estimated amounts, in particular the amounts of assets held for sale, will be realized. As at September 30, 2017, the Company included the estimated fair value of warrants held for sale of \$93,624 in investment in Euro Sun in the statement of financial position.

**Disclosure Controls and Procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities.

The CEO and CFO have certified that they have designed disclosure controls and procedures (or caused them to be designed under their supervision) and they are operating effectively to provide reasonable assurance that material information relating to the issuer and its consolidated subsidiaries is made known to them by others within those entities as of September 30, 2017.

**Internal Control over Financial Reporting**

Black Iron's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Under their supervision, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions, acquisitions and dispositions of the assets of the Company;
- Provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

The CEO and CFO have certified that internal controls over financial reporting have been designed and are operating effectively to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as at September 30, 2017. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control 2013 (“COSO 2013”) Framework to design the Company’s internal control over financial reporting.

There were no changes in the Company’s ICFR that occurred during the nine months of 2017 that has materially affected, or is reasonably likely to materially affect the Company’s internal control over financial reporting.

### **Limitations of Controls and Procedures**

The Company’s management, including the Chief Executive Officer and Chief Financial Officer, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **Risk Factors**

Investing in the Company involves risks that should be carefully considered. The business of the Company is speculative due to the high-risk nature of iron ore mining and exploration in Ukraine. Investors should be aware that there are various risks, that could have a material adverse effect on, among other things, title to the projects, permitting, the operating results, earnings, business and condition (financial or otherwise) of the Company. For a listing of risk factors, investors should refer to the Company’s Annual Information Form filed on SEDAR.

### **Additional Information and Continuous Disclosure**

Additional information, including the Company’s press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com).

### **Outstanding Share Data**

As at the date of this MD&A, the Company has:

- a) 159,740,519 common shares outstanding;
- b) 11,807,500 stock options outstanding with expiry dates ranging from February 4, 2018 to May 31, 2022 with exercise prices ranging from CAD\$0.05 to CAD\$0.45. If exercised, 11,807,500 shares would be issued for proceeds of CAD\$1,462,375.
- c) 2,813,281 DSUs outstanding with no fixed expiry.

## **Cautionary Statement Regarding Forward-Looking Information**

Except for statements of historical fact relating to Black Iron certain information contained herein constitutes forward-looking information. Forward-looking information is based on what management believes to be reasonable assumptions, opinions and estimates of the date such statements are made based on information available to them at that time, including those factors discussed in the section entitled “Risk Factors” in the Company’s annual information form for the year ended December 31, 2016 or as may be identified in the Company’s public disclosure from time to time, as filed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). Forward-looking information may include, but is not limited to, statements with respect to the Shymanivske project, preparation of a PEA, expected economic forecasts, timing for PEA, the Company’s ability to obtain the requisite land rights for the Shymanivske project, prices of commodities, performance of the Company’s securities, geo-political situation in Ukraine, and future plans for the Company’s development. Generally, forward looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: general business, economic, competitive, geopolitical and social uncertainties; the actual results of current exploration activities; other risks of the mining industry and the risks described in the annual information form of the Company. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.