



Condensed consolidated interim financial statements
(Expressed in U.S. dollars)

For the three and nine months ended September 30, 2018 and 2017

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

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

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

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

BLACK IRON INC.

Condensed consolidated interim financial statements
(Expressed in U.S. dollars)

For the three and nine months ended September 30, 2018 and 2017

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BLACK IRON INC.

Condensed consolidated interim statement of financial position
(Expressed in U.S. dollars)

	September 30, 2018	December 31, 2017
ASSETS		
Current		
Cash	\$ 82,159	\$ 838,278
Amounts receivable and prepaid expenses	59,756	125,088
Investment in Euro Sun Mining Inc. (Note 3)	1,188,913	3,228,067
Total current assets	1,330,828	4,191,433
Equipment	5,122	9,831
Exploration and evaluation assets (Note 4)	1	1
Total assets	\$ 1,335,951	\$ 4,201,265
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 200,218	\$ 395,914
Total current liabilities	200,218	395,914
Shareholders' Equity		
Common shares	67,457,612	67,457,612
Share based payments (Note 5)	753,542	879,157
Accumulated other comprehensive (loss) income	(691,359)	433,039
Deficit	(66,384,062)	(64,964,457)
Total shareholders' equity	1,135,733	3,805,351
Total shareholders' equity and liabilities	\$ 1,335,951	\$ 4,201,265

Approved by the Board of Directors on October 31, 2018:

"BRUCE HUMPHREY", Director

"JOHN DETMOLD", Director

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

BLACK IRON INC.

Condensed consolidated interim statement of loss and comprehensive loss (income)
(Expressed in U.S. dollars)

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Expenses				
Consulting and management fees	\$ 147,261	\$ 291,746	\$ 801,926	\$ 812,686
Professional fees expense (recovery)	13,967	(24,120)	(105,523)	(1,134)
General office expenses	63,472	79,356	155,394	168,396
Change in fair value of warrants investment (Note 3)	1,337	(16,180)	26,052	294,574
Exploration and evaluation expenses (Note 4)	131,541	177,338	465,206	463,102
Stock-based compensation (Note 5)	8,216	44,122	37,873	187,358
Travel expenses	42,129	73,332	163,763	162,304
Shareholder communications and filing fees	10,605	7,402	38,773	33,387
(Gain) loss on foreign exchange	(79,364)	(70,751)	216	(133,979)
Interest income	(2)	(650)	(587)	(788)
Net loss for the period	\$ 339,162	\$ 561,595	\$ 1,583,093	\$ 1,985,906
Other comprehensive income:				
Loss (gain) on sale of investment (Note 3)	20,920	-	(146,137)	-
Change in fair value of investment (Note 3)	489,059	(815,518)	1,270,535	(1,912,164)
Comprehensive loss (income) for the period	\$ 849,141	\$ (253,923)	\$ 2,707,491	\$ 73,742
Basic and diluted loss per share	\$ -	\$ -	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	159,740,519	159,740,519	159,740,519	159,740,519

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

BLACK IRON INC.

Condensed consolidated interim statement of changes in shareholders' equity
(Expressed in U.S. dollars)

	Common shares		Share based payments	Accumulated deficit	Accumulated other comprehensive (loss) income	Total shareholders' equity
	#	\$	\$	\$	\$	\$
Balance, December 31, 2016	159,740,519	67,457,612	784,408	(62,180,092)	(899,208)	5,162,720
Net loss for the period	-	-	-	(1,985,906)	-	(1,985,906)
Other comprehensive income	-	-	-	-	1,912,164	1,912,164
Contributions by (distributions to) owners						
Stock option plan (Note 5)	-	-	159,044	-	-	159,044
Expiry of vested options (Note 5)	-	-	(29,422)	29,422	-	-
Deferred share units (Note 5)	-	-	28,314	-	-	28,314
Balance, September 30, 2017	159,740,519	67,457,612	942,344	(64,136,576)	1,012,956	5,276,336
Balance, December 31, 2017	159,740,519	67,457,612	879,157	(64,964,457)	433,039	3,805,351
Net loss for the period	-	-	-	(1,583,093)	-	(1,583,093)
Other comprehensive income	-	-	-	-	(1,124,398)	(1,124,398)
owners						
Stock option plan (Note 5)	-	-	37,873	-	-	37,873
Expiry of vested options (Note 5)	-	-	(163,488)	163,488	-	-
Balance, September 30, 2018	159,740,519	67,457,612	753,542	(66,384,062)	(691,359)	1,135,733

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

BLACK IRON INC.

Condensed consolidated interim statement of cash flows
(Expressed in U.S. dollars)

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
OPERATING ACTIVITIES		
Loss for the period	\$ (1,583,093)	\$ (1,985,906)
Adjustment for:		
Change in value of warrant investment (Note 3)	26,052	294,574
Stock-based compensation (Note 5)	37,873	187,358
Interest income	(586)	(788)
Depreciation	10,922	4,869
Net cash outflow before working capital changes	(1,508,832)	(1,499,893)
Net change in non-cash working capital	(105,863)	(203,838)
Cash used in operating activities	(1,614,695)	(1,703,731)
INVESTING ACTIVITIES		
Purchase of equipment	(6,213)	(3,901)
Interest received	587	788
Sale of assets available for sale (Note 3)	888,704	-
Cash provided by (used in) investing activities	883,078	(3,113)
Effect of exchange rate changes on cash	(24,502)	42
CHANGE IN CASH	(756,119)	(1,706,802)
CASH, beginning of period	838,278	3,244,395
CASH, end of period	\$ 82,159	\$ 1,537,593

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

BLACK IRON INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

For the three and nine months ended September 30, 2018 and 2017

1. Nature of operations

Black Iron Inc. (the "Company") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated June 29, 2010. The principal activity of the Company is the exploration and development of ferrous metals in Ukraine, namely the Shymanivske iron ore project located in Kryvyi Rih, Ukraine. In light of depressed iron ore prices in 2016, the Company made an investment in Euro Sun Mining Inc. ("Euro Sun") to supplement the Shymanivske project. The head office of the Company is located at 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5, Canada.

As at September 30, 2018, Black Iron Inc. held 100% of the shares of Black Iron (Cyprus) Limited which in turn holds a 100% interest in Shymanivske Steel LLC. On February 7, 2018, Shymanivske Steel LLC and Zeleniviske Steel LLC were amalgamated and continue as Shymanivske Steel LLC.

The condensed consolidated interim financial statements include the interim financial statements of the Company and its subsidiaries which are listed in the following table:

	Country of incorporation	Percentage of equity interest	
		March 31, 2018	December 31, 2017
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

2. Basis of presentation

Statement of compliance

The condensed consolidated interim financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2017.

Significant accounting policies

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2017, with the exception of the adoption of new accounting pronouncements on January 1, 2018, as outlined below.

The Company adopted IFRS 9, Financial Instruments ("IFRS 9") on January 1, 2018. Adoption of this standard did not have a significant impact on the financial statements. With respect to the Company's available for sale financial assets investment in Euro Sun Mining Inc., the Company has elected to irrevocably recognize fair value through other comprehensive income (loss). As a result, realized gains and losses will be recognized in other comprehensive income (loss) and never reclassified to profit or loss with adoption of this new standard.

BLACK IRON INC.

Notes to the Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

For the three and nine months ended September 30, 2018 and 2017

3. Investment in Euro Sun Mining Inc.

Changes in the investment in Euro Sun during the period were as follows:

	Common shares		Warrants		Total
	#	\$	#	\$	\$
Balance, December 31, 2016	3,347,440	1,869,799	786,485	388,198	2,257,997
Mark-to-market loss on value of warrants recorded in the statement of loss and comprehensive loss (i)	-	-	-	(362,146)	(362,146)
Adjustment to carrying value of common shares recorded in other comprehensive loss (i)	-	1,332,216	-	-	1,332,216
Balance, December 31, 2017	3,347,440	3,202,015	786,485	26,052	3,228,067
Mark-to-market loss on value of warrants recorded in the statement of loss and comprehensive loss (i)	-	-	-	(26,052)	(26,052)
Adjustment to carrying value of common shares recorded in other comprehensive loss (i)	-	(1,270,535)	-	-	(1,270,535)
Sale of common shares of Euro Sun (ii)	(1,148,800)	(742,567)	-	-	(742,567)
Balance, September 30, 2018	2,198,640	1,188,913	786,485	-	1,188,913

(i) As at September 30, 2018, the fair value of the shares was CAD\$1,539,048 (\$1,188,913) based on the closing price of the shares on September 30, 2018 (December 31, 2017 - \$3,202,015). The fair value of the remaining 786,485 warrants held at September 30, 2018 was CAD\$nil (\$nil) (December 31, 2017 - \$26,052) and was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 67.42%, based on the historic volatility of Euro Sun share prices, weighted average risk-free interest rate of 1.46%, and a time to expiry of 0.14 years. The total change in fair value of the warrants for the three and nine months ended September 30, 2018 was \$1,337 and \$26,052, respectively.

On May 7, 2018, Euro Sun announced that it had extended the expiry date of the Company's outstanding common share purchase warrants to November 19, 2018, from their original expiry of May 19, 2018. At Euro Sun's discretion, expiry could be accelerated if the trading price of Euro Sun's common shares on the TSX exceeds \$2.72 for a period of 20 consecutive trading days. Under this circumstance, Euro Sun has the right, but not the obligation, to accelerate the expiry date of the warrants to a date which is not less than 30 days after the date on which Euro Sun notifies warrant holders of such accelerated expiry date.

On October 22, 2018, Euro Sun announced that it had further extended the expiry date of the Company's outstanding common share purchase warrants to May 19, 2019. The conditions of extension remain unchanged from the previous extension to November 19, 2018 announced on May 7, 2018. Any increase in warrant value resulting from this extension are not reflected in the amounts reported at September 30, 2018.

BLACK IRON INC.

Notes to the Condensed Consolidated Interim Financial Statements
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3. Investment in Euro Sun Mining Inc. (continued)

(ii) During the three and nine months ended September 30, 2018, the Company sold 649,000 and 1,148,800 common shares, respectively, of Euro Sun for total proceeds of CAD\$514,353 (\$393,667) and CAD\$1,150,735 (\$888,705), respectively, resulting in a loss on sale of CAD\$29,649 (\$22,986) and a gain on sale CAD\$187,539 (\$146,137), respectively.

4. Exploration and evaluation assets and expenditures

Exploration expenditures for the period were as follows:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Surface rights and consulting	\$ 12,326	\$ 11,173	\$ 80,661	\$ 27,061
Engineering studies	-	8,585	53,412	28,697
Preliminary economic assessment	-	62,833	-	62,833
Consulting and technical	77,199	74,577	238,652	283,589
Travel	1,778	2,102	5,542	9,006
Legal support	-	4,858	-	8,746
Field office support & administration	40,238	13,210	86,939	43,170
	\$ 131,541	\$ 177,338	\$ 465,206	\$ 463,102

The Company's principal activity is the exploration and development of its Shymanivske project. Although the Company continues to make expenditures and advancement on the Shymanivske project, there were no indicators of impairment reversal as at September 30, 2018.

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5. Stock-based compensation

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSU	Weighted average exercise price CAD	Value of DSU	Total carrying amount
Balance, December 31, 2016	9,472,500	\$ 0.13	\$ 719,601	2,437,499	\$ 0.03	\$ 64,807	\$ 784,408
Granted	3,425,000	0.11	179,838	477,345	0.10	38,029	217,867
Expired	(1,090,000)	0.17	(123,118)	-	-	-	(123,118)
Balance, December 31, 2017	11,807,500	\$ 0.12	\$ 776,321	2,914,844	\$ 0.05	\$102,836	\$ 879,157
Granted	100,000	0.09	5,919	-	-	-	5,919
Expired	(1,200,000)	0.22	(163,488)	-	-	-	(163,488)
Vested	-	-	31,954	-	-	-	31,954
Balance, September 30, 2018	10,707,500	\$ 0.11	\$ 650,706	2,914,844	\$ 0.05	\$102,836	\$ 753,542

Option Plan

The Company maintains a stock option plan pursuant to which the Company may grant stock options up to 10% of the number of issued and outstanding common shares of the Company at the time of the stock option grant. The 10% limit includes both the stock option plan and any other share compensation plan, including the Deferred Share Units ("DSU") plan. The terms and conditions of each option granted under the Plan are determined by the Board upon the recommendations of the Compensation Committee.

During the three and nine months ended September 30, 2018, the Company granted no stock options and 100,000 stock options, respectively (no stock options and 3,425,000 for the three and nine months ended September 30, 2017, respectively) and options vested with a total value of \$8,216 and \$37,872, respectively (\$34,356 and \$159,044 for the three and nine months ended September 30, 2017, respectively).

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Notes to the Condensed Consolidated Interim Financial Statements
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For the three and nine months ended September 30, 2018 and 2017

5. Stock-based compensation (continued)

At September 30, 2018, outstanding options to acquire common shares of the Company were as follows:

Expiry date	Options exercise price (CAD\$)	Options outstanding	Options exercisable	Grant date estimated fair value vested
November 18, 2018	0.18	150,000	150,000	17,025
January 8, 2019	0.17	3,750,000	3,750,000	373,290
July 28, 2020	0.05	3,182,500	3,182,500	42,684
January 4, 2021	0.05	100,000	100,000	1,597
February 8, 2022	0.09	500,000	500,000	22,703
February 16, 2022	0.12	2,725,000	2,384,375	178,732
May 31, 2022	0.11	200,000	150,000	11,228
April 23, 2023	0.09	100,000	25,000	3,447
		10,707,500	10,241,875	\$ 650,706

DSU Plan

On June 23, 2015, the Company adopted a DSU plan for the benefit of non-executive directors which provided the Company with the ability to issue DSUs from treasury and reserve for issuance of common shares of the Company up to a maximum of 3,000,000 DSUs. On June 27, 2018, shareholders approved an amendment to the DSU plan pursuant to which the maximum number of DSUs granted cannot exceed 5% of the number of issued and outstanding common shares of the Company at the date of grant, subject to an aggregate maximum number of common shares issuable from all share-based compensation plans of 10%.

The DSUs are deferred and will be redeemed in the form of one common share for each DSU held on the date the participant ceases to be an eligible director. During the three and nine months ended September 30, 2018, the Company granted no DSUs (121,875 DSUs with a fair value of \$9,766 during the three months ended September 30, 2017 and 375,782 DSUs with a fair value of \$28,314 during the nine months ended September 30, 2017).

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Notes to the Condensed Consolidated Interim Financial Statements
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For the three and nine months ended September 30, 2018 and 2017

6. Related party transactions

Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 5) and are entitled to participate in the share compensation plan. The Company also has a deferred share unit plan which provides non-executive directors with the ability to redeem annual director compensation through the issuance of common shares of the Company. Certain executive officers are subject to mutual termination notices ranging from three to twelve months. Key management personnel compensation paid comprised:

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Short term employee benefits	614,911	700,252
Share-based payments	24,071	151,219
	638,982	851,471

Included in the above amounts is \$178,312 (\$172,053 for the nine months ended September 30, 2017) 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. Officers and Directors had 787,500 options vest during the nine months ended September 30, 2018 (1,887,500 for the nine months ended September 30, 2017).

The Company is party to certain management contracts. These contracts require payments of approximately \$2.4 million upon the occurrence of a change in control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$643,042 pursuant to the terms of these contracts.

These transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Commitments and contingencies

A former officer of the Company has initiated a legal action seeking approximately CAD\$1.1 million for a change of control payment in connection with Metinvest's investment in 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.