

**BLACK IRON INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019**

**Date: October 18, 2019**

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 nine months ended September 30, 2019. This MD&A should be read in conjunction with the Company’s condensed consolidated interim financial statements and related notes as at and for the nine months ended September 30, 2019 and its consolidated financial statements and related notes for the year ended December 31, 2018. The condensed consolidated interim financial statements and related notes of Black Iron have been prepared in accordance with International Accounting Standard (“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 financial statements for the nine months ended September 30, 2019, 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 a Ukrainian subsidiary, Shymanivske Steel LLC (“Shymanivske”). 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 December 14, 2017, Black Iron released its re-scoped Preliminary Economic Assessment (“PEA”), completed on the Project. The re-scoped PEA is based on a two-phased build out of the mine and production plant with the first phase operation producing 4 million tonnes per year (“MTpa”) of ultra high-grade 68% iron concentrate expanding to 8MTpa starting in the fifth year of production. By phasing the build, the up-front construction costs of the Project are significantly reduced thus increasing the projected returns from the Project and making it easier to secure the financing required for construction. The Project exhibits compelling projected economics due to its proximity to major infrastructure including, railway, electrical power and a deep-sea port coupled with a local highly skilled work force. The PEA is preliminary in nature, and it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA will be realized.

A long-term iron ore benchmark price of US\$61.88/t for products containing 62% iron was used in the re-scoped PEA (published in December 2017) and adjusted using the three-month average trailing spot iron premium of \$7.21 per 1% Fe above 62%. Since mid-2017, the spread between 62% iron content index and the 65% iron content has increased compared to more typical and historic levels. This is a prominent shift in the iron ore market and recognizes “value in quality” or iron ore products. This shift has been driven by Chinese steelmakers in a concerted effort to increase productivity, reduce costs and more importantly, reduce greenhouse gas emissions. As demand for higher quality feedstocks increases, premiums are expected to follow suit. It is generally agreed that this trend will be sustainable in the longer term. Furthermore, a comparison of the published Platts 65% CFR North China composition for impurities and the Project’s concentrate was made. This comparison found that the Project’s concentrate is well below the Min-Max impurity range covered by the Platts benchmark suggesting that the Project’s concentrate is of a superior quality. Based on this pricing for a low impurity, premium 68% iron content product, the Project forecasts a pre-tax unlevered internal rate of return (“IRR”) of 42.6% and a net present value (“NPV”) of \$2,115 million, using a 10% discount rate. The after-tax unlevered IRR using this price and premium is 36.1% and NPV is \$1,662 million. Additional details on the re-scoped PEA 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 resolved its previously disclosed environmental legal cases and although no assurance may be made, the Company believes it will be successful in acquiring the land rights requisite for the construction and operation of the mine.

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 Mining Inc. (“Euro Sun”) (after a share consolidation of 18.164 to 1 on September 12, 2016), or 6.3% of the issued and outstanding shares on a partially diluted basis, at a price of CAD\$1.27 per Unit for total consideration of CAD\$4 million. Each Unit was comprised of one Euro Sun common share and one-half of a Euro Sun common share purchase warrant. Euro Sun has since been listed 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 and its CFO became the CFO of Euro Sun. Since making the initial investment, Black Iron has bought and sold Euro Sun shares as disclosed in its financial statements. As at September 30, 2019, Black Iron holds no Euro Sun shares or warrants.

## **Outlook**

Iron ore prices continue to remain strong with benchmark 62% iron content ore currently selling for US\$90 - 95 per tonne as compared to the long-term price used in Black Iron’s PEA of \$62 per tonne. With this rebound in iron ore prices coupled with over five years of the military-conflict being constrained to the Eastern part of Ukraine, roughly 450 kilometers from Black Iron’s Shymanivske Project, Black Iron management is focusing all efforts on advancing the Shymanivske Project into production. Specifically, management is currently working to secure funding for project construction and the acquisition of land owned by Ukraine’s government that is essential for location of the processing plant, tailings and waste rock stockpiles.

In February, Black Iron management signed a non-binding memorandum of understanding (“MOU”) with Glencore plc, one of the world’s largest commodity traders, pursuant to which Black Iron and Glencore agree to engage in formal negotiations to fund a significant amount of the equity required for Project construction in exchange for offtake rights to the full first phase planned production of 4Mtpa. Subsequently in June, the Company received expressions of interest from two multi-billion-dollar Asian engineering, procurement and construction companies to make an equity investment of 10% of the total project construction cost (i.e. ~US\$45 million investment) in exchange for being awarded the construction contract. The proposals are for the equity to be invested over the period of constructing Black Iron’s Shymanivske Project and hence is expected to be made at a much higher share price. Expressions of interest are currently being received from select, mainly European, banks, export credit agencies and international finance institutions that are actively investing in Ukraine and are interested to provide debt funding to construct Black Iron’s Shymanivske Project. The goal for the upcoming quarter is to further solidify an anchor equity investor to fund Project construction that will likely request offtake (long term purchase rights) of iron ore pellet feed from the Project. Once the anchor investor and rights for land owned by Ukraine’s government are secured, an updated feasibility study can be completed in parallel with an environmental impact assessment and local Ukraine permitting

work to bring the Project to a construction ready state. While the updated feasibility study is being completed, a bank appointed independent review is expected to occur to complete the due diligence required by banks for debt investment in construction.

As an update on land acquisition, Black Iron management recently met with Ukraine's Minister of Defense who agreed to transfer land owned by Ukraine's Central Government, that is being used by the Ministry of Defense for training, to Black Iron in exchange for compensation that will primarily be used to purchase or construct needed apartments for servicemen and women. Black Iron expects to sign a Memorandum of Understanding with the Ministry of Defense confirming this mutual understanding by the end of October that will be converted to a binding definitive agreement around year end.

### **Third Quarter Highlights**

- In July 2019, Ukraine's recently elected President, Volodymyr Zelensky, made several highly supportive public statements regarding development of the Company's Shymanivske iron ore project, identifying the project as an important project his Government supports and stating that he and his Government will be making the development of the project a priority.
- In September 2019, the Company's management team met with Ukraine's new Prime Minister, Minister of Defence and Minister of Economy to firm up Government support on items needed by Black Iron. In particular, the Minister of Defense confirmed his agreement to support the transfer of essential land for project construction in exchange for fair and transparent compensation that will primarily be used to purchase apartments for military personnel.
- In September 2019, the Company's CEO met with the owner of a Middle Eastern steel mill that expressed a serious interest in making a substantial equity investment in construction of the Company's Shymanivske Project in exchange for offtake, potentially alongside Glencore.
- In September 2019, productive site visits were completed with two multibillion dollar Asian construction firms as part of their due diligence to consider investing approximately US\$50 million of equity in kind during Project construction; meaning the construction firm would receive shares of the Company on a monthly basis over the planned 24 month construction period as partial payment for equipment and services invoiced instead of full payment being made in cash.
- In September 2019, the Company issued a convertible security with a face value of CAD\$2.7 million, representing a principal amount of CAD\$2,250,000 and prepaid interest of CAD\$450,000 for net proceeds of CAD\$2.2 million. 13,081,395 warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share were also issued. The convertible security is secured by all the assets of the Company. The convertible security includes covenants typical and customary for secured Convertible Securities of this nature. The Company must comply with the covenants on a regular basis.

### **Ukraine Business Environment**

Ukraine elected a new President on April 21, 2019 on a platform to accelerate changes towards greater European values. On July 21, 2019 parliamentary elections were held in Ukraine in which President Zelensky's Servant of the People political party won a majority government which should help with the implementation of needed reforms. Ukraine's political and economic environment 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 escalated into violent conflicts in February 2014 and continue to date in the eastern regions of Ukraine. 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 and a recent upgrade in Ukraine's sovereign risk rating to B- (stable).

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 four years ago. During this entire period, the iron ore mines

surrounding the Project continued to operate as usual. It is Black Iron management's view that it is highly unlikely that the front line will further advance given Russia's indication that their main objectives were achieved during the initial invasion. Major international companies including are also starting to share the view that it is safe to invest again in Ukraine. For example, ArcelorMittal which owns an iron ore mine and steel mill located only one km north of the Project recently announced their intention to invest \$1.8 billion into their operation over the next few years of which the European Bank for Reconstruction and Development is contributing \$350 million. These large investments validate that business conditions are normalizing in Ukraine.

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 business environment could negatively affect the Company's results and financial position in a manner not currently determinable. The condensed 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>	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
Loss for the period	\$ 808,957	\$ 859,003	\$ 764,016	\$ 541,436
Total comprehensive loss	808,957	859,003	931,983	873,939
Loss per share	-	-	-	-

<b>Three months ended</b>	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Loss for the period	\$ 339,162	\$ 624,981	\$ 618,950	\$ 921,577
Total comprehensive (income) loss	849,141	2,382,504	(524,154)	1,501,494
Loss per share	-	-	(0.01)	(0.01)

Black Iron is an exploration and evaluation stage company and does not have any revenues. It is expected to incur losses in the development of its business due to its accounting policy to expense exploration & evaluation costs as well as for associated management and general administration.

### Selected Annual Information

	<b>2018</b>	2017	2016
	\$	\$	\$
Net loss	<b>2,124,529</b>	2,907,483	1,747,364
Comprehensive loss	<b>3,581,430</b>	1,575,236	2,654,597
Loss per share, basic and diluted	<b>(0.01)</b>	(0.02)	(0.01)
Total assets	<b>676,245</b>	4,201,264	5,556,114

## Results of Operations for the Company for the three and nine months ended September 30, 2019

### Selected Financial Information

	<b>Three months ended September 30, 2019</b>	Three months ended September 30, 2018	<b>Nine months ended September 30, 2019</b>	Nine months ended September 30, 2018
Loss for the period	\$ 808,957	\$ 339,162	\$ 2,431,976	\$ 1,583,093
Comprehensive loss (income) for the period	<b>808,957</b>	849,141	<b>2,599,943</b>	2,707,491
Loss per share	-	-	<b>(0.01)</b>	(0.01)
General and administrative:				
Consulting and management fees	\$ 221,049	\$ 147,261	\$ 676,066	\$ 801,926
Professional fees	49,991	13,967	91,602	(105,523)
General office expenses	38,711	63,472	119,406	155,394
Travel expenses	14,540	42,129	49,687	163,763
Shareholder communications and filing fees	72,809	10,605	248,529	38,773
	<b>\$ 397,100</b>	\$ 277,434	<b>\$ 1,185,290</b>	\$ 1,054,333
Exploration and evaluation expenditures:				
Surface rights and consulting	\$ 30,590	\$ 12,326	\$ 32,817	\$ 80,661
Engineering studies	-	-	-	53,412
Consulting and technical	109,762	77,199	343,435	238,652
Travel	9,351	1,778	24,713	5,542
Field office support & administration	21,303	40,238	53,495	86,939
	<b>\$ 171,006</b>	\$ 131,541	<b>\$ 454,460</b>	\$ 465,206
Non-cash:				
Stock-based compensation	\$ 22,481	\$ 8,216	\$ 139,733	\$ 37,873
Financing costs	447,720	-	447,720	-
Accretion	1,426	-	1,426	-
Change in fair value of warrants investment	-	1,337	390	26,052
Change in fair value of investment	-	489,059	(476,284)	1,270,535
Change in fair value of warrant liability	(231,046)	-	202,921	-
	<b>\$ 240,581</b>	\$ 498,612	<b>\$ 315,906</b>	\$ 1,334,460

## **Three months ended September 30, 2019**

### **Expenses**

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

Consulting and management fees were \$73,788 higher than the comparable three-month period in the prior year, primarily due to the reversal of consulting fees accrued in prior quarters that were waived in Q3 2018.

Professional fees were \$49,991 during the three months ended September 30, 2019 compared to \$13,967 for the same period in the prior year. The increase was primarily due to the retention of a financial advisor in the quarter to assist with securing funding for project construction.

General office expenses of \$38,711 in the three months ended September 30, 2019 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, 2018, the Company recorded a general office expense of \$63,472.

Travel expenses were \$14,540 during the three months ended September 30, 2019 compared with \$42,129 in the same period in the prior year.

Shareholder communications and filing fees were \$72,809 during the three months ended September 30, 2019 compared with \$10,605 in the same period in the prior year. This increase was primarily due to increased marketing fees in the quarter.

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

The Company recorded exploration and evaluation expenses of \$171,006 during the three months ended September 30, 2019. This expenditure was primarily for consulting and technical fees related to the Shymanivske Project as required primarily for land acquisition. This is \$39,465 higher than the same period in the prior year.

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

No options were issued or expired during the three months ended September 30, 2019. 100,000 options were granted, and no options expired during the three months ended September 30, 2018. The vesting of options resulted in an expense during the three months ended September 30, 2019 of \$13,248 compared with \$8,216 during the three months ended September 30, 2018. The Company granted 152,344 deferred share units (“DSUs”) valued at \$9,233 during the three months ended September 30, 2019. The Company did not issue any DSUs during the three months ended September 30, 2018.

As part of the convertible security financing which closed on September 27, 2019, the Company issued 13,081,395 warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share. The valuation of the warrants was determined using the Black-Scholes option pricing model. The movement in the valuation at each period end is reflected in the statement of loss and comprehensive loss. The period end value of the warrant liability is recorded on the statement of financial position as a derivative liability. Refer to the September 30, 2019 interim consolidated financial statements for the details.

## **Nine months ended September 30, 2019**

### **Expenses**

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

Consulting and management fees were \$125,860 lower than the comparable six-month period in the prior year, primarily due to the departure of the Company president.

Professional fees were \$91,602 during the nine months ended September 30, 2019 compared to a recovery of \$105,523 for the same period in the prior year. The increase was primarily due to the reversal of a provision in 2018.

General office expenses of \$119,406 in the nine months ended September 30, 2019 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, 2018, the Company recorded a general office expense of \$155,394.

Travel expenses were \$49,687 during the nine months ended September 30, 2019 compared with \$163,763 in the same period in the prior year.

Shareholder communications and filing fees were \$248,529 during the nine months ended September 30, 2019 compared with \$38,773 in the same period in the prior year. This increase was primarily due to increased marketing costs in 2019.

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

The Company recorded exploration and evaluation expenses of \$454,460 during the nine months ended September 30, 2019. This expenditure was primarily for consulting and technical fees related to the Shymanivske Project as required primarily for land acquisition. This is \$10,746 lower than the same period in the prior year.

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

2,900,000 options were issued during the nine months ended September 30, 2019 and 3,750,000 options expired during this period. 100,000 options were granted and 1,200,000 expired during the nine months ended September 30, 2018. The vesting of options resulted in an expense during the nine months ended September 30, 2019 of \$65,865 compared with \$37,872 during the nine months ended September 30, 2018. The Company granted 1,824,220 deferred share units ("DSUs") valued at \$74,868 during the nine months ended September 30, 2019. The Company did not issue any DSUs during the nine months ended September 30, 2018.

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 CAD\$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 had 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. During the nine months ended September 30, 2019, the Company sold 1,440,140 Euro Sun shares for total proceeds of CAD\$448,136 (\$338,753), resulting in a loss on sale of CAD\$851,243 (\$644,251) (CAD\$217,188 (\$167,057) gain for the nine months ended September 30, 2018). The Company did not own any Euro Sun shares at September 30, 2019. 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, 2019 was a loss of \$390 (\$24,715 loss for the nine months ended September 30, 2018). The Euro Sun warrants expired, unexercised on May 19, 2019.

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.

On April 12, 2019, Euro Sun announced that effective April 26, 2019, the exercise price of the warrants was amended to \$0.85 per common share. All other terms of the warrant remain unchanged.

As part of the convertible security financing which closed on September 27, 2019, the Company issued 13,081,395 warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share. The valuation of the warrants was determined using the Black-Scholes option pricing model. The movement in the valuation at each period end is reflected in the statement of loss and comprehensive loss. The period end value of the warrant liability is recorded on the statement of financial position as a derivative liability. Refer to the September 30, 2019 interim consolidated financial statements for the details.

### ***Cash Flows***

#### ***Three months ended September 30, 2019***

During the three months ended September 30, 2019, operating activities before working capital changes used cash of \$1,028,969 compared with a use of cash of \$919,134 during the three months ended September 30, 2018. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Cash provided by investing activities during the three months ended September 30, 2019 was \$512 of interest earned, compared to cash provided by investing activities during the three months ended September 30, 2018 of \$312,212, primarily from the sale of Euro Sun shares. Cash provided by investing activities during the three months ended September 30, 2019 was \$1,631,255 from the issuance of a convertible security.

#### ***Nine months ended September 30, 2019***

During the nine months ended September 30, 2019, operating activities before working capital changes used cash of \$1,637,748 compared with a use of cash of \$1,508,832 during the nine months ended September 30, 2018. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Cash provided by investing activities during the nine months ended September 30, 2019 was \$336,889 and related mainly to the sale of 1,440,140 shares of Euro Sun combined with interest received, partially offset by equipment purchases of \$3,358. Cash provided by investing activities during the nine months ended September 30, 2018 was \$883,077 and primarily related to the sale of 1,148,800 shares of Euro Sun combined with interest received, partially offset by \$6,213 of equipment purchases. Cash provided by investing activities during the nine months ended September 30, 2019 was \$2,777,391 from the Company's private placement in March and April 2019, combined with the issuance of a convertible security in September 2019.

### ***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, 2019, the Company had working capital of \$1,238,641 including cash of \$1,634,380 (December 31, 2018 - \$112,205), compared with working capital of \$304,455 as at December 31, 2018. Working capital, as at December 31, 2018 also included investments in Euro Sun with a fair value of \$507,110. There were no amounts included in the September 30, 2019 working capital for Euro Sun investments. 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.

### ***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. As the leases are cancellable on 30 days' notice, they did not meet the requirements of IFRS 16 to be capitalized.

#### Management Contracts

The Company is party to certain management contracts. These contracts require payments of approximately \$2.3 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 \$615,000 pursuant to the terms of these contracts.

#### Legal Matters

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 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. 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, 2019, the Company paid or accrued \$628,716 (\$638,982 for the nine months ended September 30, 2018) of management compensation relating to officers and directors of the Company. Included in this amount was \$168,664 (\$178,312 for the nine months ended September 30, 2018) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Stan Bharti (a former director and current executive officer of the Company) is the Executive Chairman and Mr. Simpson is Chief Executive Officer.

Certain directors and officers of the Company are also directors and officers of Euro Sun.

All 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.

As at September 30, 2019, the Company had \$109,593 (December 31, 2018 - \$103,541) consulting fees and travel expenses owing to its key management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and are due on demand.

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

The preparation of condensed 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 condensed 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 or reversal 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 resource estimates

The figures for 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.

**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, 2018 with the exception of the adoption of new accounting pronouncements on January 1, 2019 as new liabilities as outlined below.

The Company adopted IFRS 16, Leases on January 1, 2019. Adoption of this standard did not have a significant impact on the financial statements.

***Derivative liabilities***

Warrants issued during the three and nine months ended September 30, 2019 have an exercise price denominated in Canadian dollars, and therefore, do not qualify for classification as equity as their exercise price is not in the Company's functional currency of the US dollar. These warrants have been reclassified as warrant liabilities and are recorded at the estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Changes in fair value of each period are included in income or loss for the period.

### ***Compound financial instruments (debentures)***

Compound financial instruments issued by the Company comprise convertible notes that can be converted to share capital at the option of the holder.

The number of shares to be issued changes in response to the fair value of the shares and are valued in a currency that is not the Company's functional currency of US dollars. Therefore, the conversion feature of the compound financial instrument does not qualify for classification as equity. The conversion feature of the compound financial instrument is considered a derivative liability and is measured at fair value with changes in value being recorded in profit or loss. The liability component of the compound financial instrument is recognized initially at the difference between the fair value of a similar liability that does not have a conversion feature and the fair value of the conversion feature.

Subsequent to initial recognition, the conversion feature is revalued at each period end with changes in fair value included in income or loss for the period. The liability component is measured at amortized cost using the effective interest method.

### **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.

Black Iron's 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, 2019.

### **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, 2019. 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 have occurred during the period beginning on January 1, 2019 and ended on September 30, 2019 that have 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) 186,292,909 common shares outstanding;
- b) 9,657,500 stock options outstanding with expiry dates ranging from July 28, 2020 to March 4, 2024 with exercise prices ranging from CAD\$0.05 to CAD\$0.12. If exercised, 9,657,500 shares would be issued for proceeds of CAD\$711,875.
- c) 26,462,590 warrants outstanding with expiry dates ranging from March 29, 2022 to September 27, 2023 with exercise prices between CAD\$0.09 and CAD\$0.11. If exercised, 26,462,590 shares would be issued for proceeds of CAD\$2,643,261.
- d) 5,339,064 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 most recent annual information form 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.