



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

**For the three and nine months ended September 30, 2020 and 2019**

**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, 2020 and 2019

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# BLACK IRON INC.

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

	September 30, 2020	December 31, 2019
<b>ASSETS</b>		
Current		
Cash	\$ 1,983,101	\$ 988,844
Amounts receivable and prepaid expenses	104,194	102,641
Total current assets	2,087,295	1,091,485
Prepaid and other (Note 10)	216,708	297,500
Equipment	4,119	2,720
Total assets	\$ 2,308,122	\$ 1,391,705
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 513,539	\$ 403,864
Total current liabilities	513,539	403,864
Non-current		
Warrant liability (Note 8)	1,662,552	1,227,878
Conversion option of convertible debenture (Note 10)	1,081,425	1,318,525
Liability component of convertible debenture (Note 10)	315,770	172,762
Loan payable (Note 11)	29,987	-
Total liabilities	3,603,273	3,123,029
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>		
Common shares (Note 6)	71,458,546	68,321,728
Share based payments reserve (Note 7)	1,168,347	548,791
Warrant reserve (Note 8)	2,288	3,020
Accumulated deficit	(73,924,332)	(70,604,863)
Total shareholders' deficiency	(1,295,151)	(1,731,324)
Total shareholders' deficiency and liabilities	\$ 2,308,122	\$ 1,391,705

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 9 and Note 12)

Approved by the Board of Directors on November 13, 2020

"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 statements of loss and comprehensive loss  
(Expressed in U.S. dollars)  
(unaudited)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Expenses				
Consulting and management fees (Note 9)	\$ 171,632	\$ 221,049	\$ 566,117	\$ 676,066
Professional fees expense	38,044	49,991	110,154	91,602
General office expenses	39,625	38,711	128,025	119,406
Net change in fair value of investment in warrants (Note 4)	-	-	-	390
Exploration and evaluation expenses (Note 5)	160,759	171,006	494,461	454,460
Share-based compensation (Note 7 and Note 9)	91,410	22,481	721,344	139,733
Travel expenses	27	14,540	21,698	49,687
Shareholder communications and filing fees	38,666	72,809	116,381	248,529
Change in fair value of warrant liability (Note 8)	321,942	(231,046)	848,065	202,921
Change in fair value of conversion option (Note 10)	66,735	-	109,595	-
Finance costs (Note 10)	49,875	447,720	156,896	447,720
Accretion (Note 10)	102,902	1,426	253,427	1,426
Loss (gain) on foreign exchange	10,555	782	(76,065)	1,530
Interest income	(1,211)	(512)	(3,638)	(1,494)
Net loss for the period	<u>\$ 1,090,961</u>	<u>\$ 808,957</u>	<u>\$ 3,446,460</u>	<u>\$ 2,431,976</u>
Other comprehensive loss				
Loss on sale of investment in equity securities (Note 4)	-	-	-	644,251
Net change in fair value of investment in equity securities (Note 4)	-	-	-	(476,284)
Total other comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,967</u>
Comprehensive loss for the period	<u>\$ 1,090,961</u>	<u>\$ 808,957</u>	<u>\$ 3,446,460</u>	<u>\$ 2,599,943</u>
Basic and diluted loss per share	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding - basic and diluted	<u>243,572,554</u>	<u>186,292,909</u>	<u>216,701,991</u>	<u>177,599,262</u>

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

# BLACK IRON INC.

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

	Common shares		Share based payments	Accumulated deficit	Warrants	Accumulated other comprehensive loss	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2018	159,740,519	67,457,612	750,184	(66,877,084)	-	(1,023,862)	306,850
Net loss for the period	-	-	-	(2,431,976)	-	-	(2,431,976)
Other comprehensive loss for the period	-	-	-	-	-	(167,967)	(167,967)
Private placements (Note 5)	26,552,390	912,476	-	-	-	-	912,476
Share issuance costs (Note 5)	-	(48,360)	-	-	-	-	(48,360)
Stock option plan (Note 7)	-	-	64,865	-	-	-	64,865
Deferred share units (Note 7)	-	-	74,868	-	-	-	74,868
Expiry of vested options (Note 7)	-	-	(362,085)	362,085	-	-	-
Derecognition of financial assets	-	-	-	(1,191,829)	-	1,191,829	-
<b>Balance, September 30, 2019</b>	<b>186,292,909</b>	<b>68,321,728</b>	<b>527,832</b>	<b>(70,138,804)</b>	<b>-</b>	<b>-</b>	<b>(1,289,244)</b>
Balance, December 31, 2019	186,299,159	68,321,728	548,791	(70,604,863)	3,020	-	(1,731,324)
<b>Net loss for the period</b>	-	-	-	<b>(3,446,460)</b>	-	-	<b>(3,446,460)</b>
<b>Expiry of vested options (Note 7)</b>	-	-	<b>(68,705)</b>	<b>68,705</b>	-	-	-
<b>Stock option forfeiture (Note 7)</b>	-	-	<b>(5,092)</b>	<b>5,092</b>	-	-	-
<b>Stock option plan (Note 7)</b>	-	-	<b>464,166</b>	-	-	-	<b>464,166</b>
<b>Stock option exercise (Note 7)</b>	<b>750,000</b>	<b>37,785</b>	<b>(10,060)</b>	-	-	-	<b>27,725</b>
<b>Deferred share units (Note 7)</b>	-	-	<b>239,247</b>	-	-	-	<b>239,247</b>
<b>Warrant exercise (Note 8)</b>	<b>10,936,193</b>	<b>1,349,192</b>	-	-	<b>(732)</b>	-	<b>1,348,460</b>
<b>Warrant valuation (Note 8)</b>	-	-	-	-	-	-	-
<b>Warrant expiry (Note 8)</b>	-	-	-	<b>53,194</b>	-	-	<b>53,194</b>
<b>Conversion of debt to shares (Note 10)</b>	<b>15,323,548</b>	<b>679,063</b>	-	-	-	-	<b>679,063</b>
<b>Private placements (Note 5)</b>	<b>36,534,420</b>	<b>1,151,546</b>	-	-	-	-	<b>1,151,546</b>
<b>Share issuance costs (Note 5)</b>	-	<b>(80,768)</b>	-	-	-	-	<b>(80,768)</b>
<b>Balance, September 30, 2020</b>	<b>249,843,320</b>	<b>71,458,546</b>	<b>1,168,347</b>	<b>(73,924,332)</b>	<b>2,288</b>	<b>-</b>	<b>(1,295,151)</b>

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

# BLACK IRON INC.

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

	Nine months ended September 30,	Nine months ended September 30,
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (3,446,460)	\$ (2,431,976)
Adjustment for:		
Change in value of warrant investment (Note 3)	-	390
Share-based compensation (Note 7)	721,344	139,733
Interest income	3,638	(1,494)
Change in fair value of warrant liability (Note 8)	848,065	202,921
Change in fair value of conversion option of the convertible debenture (Note 10)	109,595	-
Accretion (Note 10)	253,427	1,426
Non-cash financing costs (Note 10)	139,792	447,720
Depreciation	3,358	3,532
Net cash outflow before working capital changes	(1,367,241)	(1,637,748)
Net change in non cash working capital	50,327	100,841
Cash used in operating activities	(1,316,914)	(1,536,907)
<b>FINANCING ACTIVITIES</b>		
Private placement (Note 6 and Note 8)	1,306,546	1,191,476
Share issuance costs (Note 6 and Note 8)	(80,768)	(45,340)
Convertible debenture (Note 10)	353,442	1,595,063
Convertible debenture issuance costs (Note 10)	(69,115)	-
Warrant exercise (Note 8)	737,450	-
Option exercise (Note 7)	27,725	-
Loan payable (Note 11)	29,987	-
Cash provided by financing activities	2,305,267	2,741,199
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(4,757)	(3,358)
Interest received	3,638	1,494
Sale of assets classified as FVOCI (Note 3)	-	338,753
Cash provided by investing activities	(1,119)	336,889
Effect of exchange rate changes on cash	7,023	(19,006)
<b>CHANGE IN CASH</b>	<b>994,257</b>	<b>1,522,175</b>
CASH, beginning of period	988,844	112,205
CASH, end of period	\$ 1,983,101	\$ 1,634,380
<b>SUPPLEMENTAL INFORMATION:</b>		
Finder warrants issued	\$ -	\$ 3,020

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 nine months ended September 30, 2020 and 2019

## 1. Nature of operations and going concern

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. The head office of the Company is located at 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5, Canada.

As at September 30, 2020, Black Iron Inc. held 100% of the shares of Black Iron (Cyprus) Limited which in turn holds a 100% interest in Shymanivske Steel LLC.

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

	Country of incorporation	Percentage of equity interest	
		September 30, 2020	December 31, 2019
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

These condensed consolidated interim financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. For the nine months ended September 30, 2020, the Company incurred a net loss of \$3,446,460 and as at September 30, 2020, reported an accumulated deficit of \$73,924,332 and working capital of \$1,573,756, including \$1,983,101 in cash. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and consolidated statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amounts shown as assets of the Company is dependent upon the Company obtaining the necessary financing to complete the exploration of its property, the discovery of economically recoverable reserves and future profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, social and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

# BLACK IRON INC.

Notes to the condensed consolidated interim financial statements  
(Expressed in U.S. dollars)

For the nine months ended September 30, 2020 and 2019

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## 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, 2019.

### Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis, unless otherwise disclosed. The condensed consolidated interim financial statements have been prepared on an accrual basis except for cash flow information.

## 3. 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, 2019, with the exception of the adoption of new accounting pronouncements on January 1, 2020, as outlined below.

On January 1, 2020, amendments to refine the definition of materiality in IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors came into effect. These amendments did not have a significant impact on the condensed consolidated interim financial statements.

# BLACK IRON INC.

Notes to the condensed consolidated interim financial statements  
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For the nine months ended September 30, 2020 and 2019

## 4. Investment in Euro Sun Mining Inc.

Changes in the investment in Euro Sun Mining Inc. ("Euro Sun") during the periods presented were as follows:

	Equity Securities		Warrants		Total
	#	\$	#	\$	\$
Balance, December 31, 2018	1,440,140	506,720	786,485	390	507,110
Net change in fair value of warrants recorded in the consolidated statement of loss and comprehensive loss	-	-	-	(390)	(390)
Net change in fair value of equity securities recorded in other comprehensive loss (i)	-	476,284	-	-	476,284
Sale of common shares of Euro Sun (ii)	(1,440,140)	(983,004)	-	-	(983,004)
Expiration of Euro Sun warrants (iii)	-	-	(786,485)	-	-
Balance, December 31, 2019 and September 30, 2020	-	-	-	-	-

- (i) As at September 30, 2020 and December 31, 2019, all Euro Sun shares had been sold.
- (ii) During the nine months ended September 30, 2019, the Company sold 1,440,140 common shares of Euro Sun for total proceeds of CAD\$448,136 (\$338,753), resulting in a loss on sale of CAD\$851,243 (\$644,251).
- (iii) On May 7, 2018, Euro Sun announced that it had extended the expiry date of its 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 had 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 its outstanding common share purchase warrants to May 19, 2019. The conditions of extension remained unchanged from the previous extension to November 19, 2018 (announced on May 7, 2018).

On May 19, 2019, 786,485 warrants expired.

# BLACK IRON INC.

Notes to the condensed consolidated interim financial statements  
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For the nine months ended September 30, 2020 and 2019

## 5. Exploration and evaluation expenditures

Exploration and evaluation expenditures for the periods presented were as follows:

	<b>Three months ended September 30,</b>	Three months ended September 30,	<b>Nine months ended September 30,</b>	Nine months ended September 30,
Consulting and technical	\$ 118,870	\$ 109,762	\$ 370,058	\$ 343,435
Surface rights and consulting	27,039	30,590	71,356	32,817
Field office support and administration	14,850	21,303	46,819	53,495
Travel	-	9,351	6,228	24,713
	<b>\$ 160,759</b>	<b>\$ 171,006</b>	<b>\$ 494,461</b>	<b>\$ 454,460</b>

The Company's principal activity is the exploration and development of its Shymanivske project.

## 6. Share capital

### Authorized

Unlimited number of common shares without par value.

	Number of Common shares	Amount
Balance, December 31, 2018	159,746,769	\$ 67,457,612
Private placement	26,552,390	912,476
Cost of issue	-	(48,360)
Balance, December 31, 2019	186,299,159	\$ 68,321,728
Warrant exercise	10,936,193	737,450
Warrant valuation	-	611,742
Option exercise	750,000	27,725
Option valuation	-	10,060
Debenture conversion	15,323,548	679,063
Private placement	36,534,420	1,151,546
Cost of issue	-	(80,768)
Balance, September 30, 2020	249,843,320	\$ 71,458,546

On March 29, 2019, the Company closed a non-brokered private placement financing of 17,508,440 units at a price of CAD\$0.06 per unit for gross proceeds of \$786,100 (CAD\$1,050,506). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.09 for a period of three years from the date of issue (see Note 8). The Company paid cash and non-cash commissions and other expenses of \$12,798 (CAD\$17,178) in relation to this private placement. Directors and officers of the Company participated in the private placement and acquired a total of 3,008,908 units of this private placement for gross proceeds of \$135,000 (CAD\$180,534).

# BLACK IRON INC.

Notes to the condensed consolidated interim financial statements  
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For the nine months ended September 30, 2020 and 2019

## 6. Share capital (continued)

On April 5, 2019, the Company closed a non-brokered private placement financing of 9,043,950 units at a price of CAD\$0.06 per unit for gross proceeds of \$405,376 (CAD\$542,637). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.09 for a period of three years from the date of issue (see Note 8). The Company paid cash and non-cash commissions and other expenses of \$35,562 (CAD\$47,584) in relation to this private placement.

On May 8, 2020, the Company closed a non-brokered private placement financing of 36,534,420 units at a price of CAD\$0.05 per unit for gross proceeds of \$1,151,546 (CAD\$1,826,721). Each unit is comprised of one common share and one-third of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.06 for a period of three years from the date of issue (see Note 8). The Company paid cash and non-cash commissions and other expenses of \$80,768 (CAD\$113,602) in relation to this private placement.

During the nine months ended September 30, 2020, the Company issued 15,323,548 shares as settlement for a portion of the outstanding convertible debenture (Note 10).

## 7. Share-based payments reserve

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSU	Weighted average exercise price CAD	Carrying amount of DSU	Total carrying amount
Balance, December 31, 2018	10,507,500	\$ 0.12	\$ 620,490	3,514,844	\$ 0.05	\$ 129,694	\$ 750,184
Granted	3,150,000	0.06	76,594	1,959,637	0.06	84,101	160,695
Expired	(3,750,000)	0.10	(362,088)	-	-	-	(362,088)
Balance, December 31, 2019	9,907,500	\$ 0.07	\$ 334,996	5,474,481	\$ 0.05	\$ 213,795	\$ 548,791
<b>Granted</b>	<b>9,042,500</b>	<b>0.07</b>	<b>464,166</b>	<b>3,307,083</b>	<b>\$ 0.08</b>	<b>239,247</b>	<b>703,413</b>
<b>Expired</b>	<b>(3,395,000)</b>	<b>-</b>	<b>(68,705)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(68,705)</b>
<b>Forfeited</b>	<b>(187,500)</b>	<b>0.08</b>	<b>(5,092)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,092)</b>
<b>Exercised</b>	<b>(750,000)</b>	<b>-</b>	<b>(10,060)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,060)</b>
<b>Cancelled</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Vested</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance, September 30, 2020</b>	<b>14,617,500</b>	<b>\$ 0.07</b>	<b>\$ 715,305</b>	<b>8,781,564</b>	<b>\$ 0.07</b>	<b>\$ 453,042</b>	<b>\$ 1,168,347</b>

## 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, 2020, the Company granted 2,782,500 and 9,042,500 stock options (no stock options and 2,900,000 granted for the three and nine months ended September 30, 2019) and options vested with a total value of \$82,273 and \$464,166 (\$13,248 and \$64,865 for the three and nine months ended September 30, 2019).

# BLACK IRON INC.

Notes to the condensed consolidated interim financial statements  
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## 7. Share-based payments reserve (continued)

The weighted average grant date fair value of options granted during the nine months ended September 30, 2020 was measured using the Black-Scholes option pricing model. The following inputs were used in the measurement of fair values at grant date: expected dividend yield of 0% (2019 -0%), expected volatility of 134% based on the historical volatility of the Company (2019 – 127%), weighted average risk - free interest rate of 0.35% (2019 – 1.79%), an expected forfeiture rate of 4.7% (2019 – 4.7%), weighted average share price of CAD\$0.11, and a weighted average expected life of 2.7 years (2019 – 2.9 years). The weighted average grant-date fair value of options granted during the nine months ended September 30, 2020 was \$0.05 per option (2019 - \$0.03). 2,932,500 of the options granted by the Company during the nine months ended September 30, 2020 vest in eight equal quarterly instalments commencing on the date of grant and 6,110,000 options granted by the Company during the nine months ended September 30, 2020 vest immediately (2019 – 2,900,000 options vest in eight equal quarterly installments).

At September 30, 2020, 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 (\$)
February 16, 2022	0.12	2,425,000	2,425,000	161,467
May 31, 2022	0.11	200,000	200,000	11,866
October 31, 2023	0.08	300,000	-	14,987
December 5, 2023	0.06	250,000	250,000	7,992
January 9, 2024	0.05	1,950,000	2,362,500	52,347
March 4, 2024	0.07	200,000	175,000	7,495
October 18, 2024	0.08	250,000	125,000	8,290
March 11, 2025	0.07	150,000	56,250	4,155
June 15, 2025	0.10	6,110,000	6,110,000	369,167
August 7, 2025	0.15	2,782,500	347,813	77,540
		14,617,500	12,051,563	\$ 715,306

## 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, 2020, the Company granted no DSUs and 3,307,083 DSUs with a fair value of \$nil and \$239,247, respectively, based on the quoted market price of the Company's common shares at the date of grant (152,344 and 1,824,220 DSUs with a grant date fair value of \$9,233 and \$74,868, respectively, during the three and nine months ended September 30, 2019). As the DSUs will be settled in shares, the value of the DSUs is recorded in share-based payments reserve at the time of issue.

# BLACK IRON INC.

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## 7. Warrants and warrant liability

At September 30, 2020, outstanding warrants to acquire common shares of the Company were as follows:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price (CAD)	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
80,000	80,000	29-Mar-19	29-Mar-22	\$ 0.09	\$ 2,288	\$ 0.06	122%	3	0%	1.45%
13,081,395	13,081,395	27-Sep-19	27-Sep-23	\$ 0.11	\$ 569,100	\$ 0.08	116%	4	0%	1.47%
3,384,991	3,384,991	24-Apr-20	24-Apr-24	\$ 0.08	\$ 95,813	\$ 0.06	117%	4	0%	0.38%
12,011,474	12,011,474	8-May-20	8-May-23	\$ 0.06	\$ 144,823	\$ 0.08	110%	3	0%	0.26%
<b>28,557,860</b>	<b>28,557,860</b>				<b>\$ 812,024</b>					

### Warrant liability

Warrants that have their exercise prices denominated in currencies other than the Company's functional currency of the US dollar, and are non-compensatory, are accounted for as financial liabilities in the consolidated statements of financial position. The changes in fair value are recorded in the consolidated statements of loss for the period.

Warrant liability transactions during the periods presented were as follows:

	Number of Warrants	Fair value (\$)
Balance, December 31, 2018	-	-
Granted	26,357,590	848,100
Change in fair value during the period	-	379,778
Balance, December 31, 2019	26,357,590	1,227,878
Granted	15,563,131	250,813
Exercised	(10,911,195)	(611,010)
Expired	(2,531,666)	(53,194)
Change in fair value during the period	-	848,065
<b>Balance, September 30, 2020</b>	<b>28,477,860</b>	<b>1,662,552</b>

On March 29, 2019, the Company issued 8,754,220 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.09 until March 29, 2022 (see Note 8). The fair value of these warrants of \$184,000 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 122%, risk-free rate of 1.45%, share price of CAD\$0.09 and expected life of three years.

On April 5, 2019, the Company issued 4,521,975 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.09 until April 5, 2022 (see Note 6). The fair value of these warrants of \$95,000 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 122%, risk-free rate of 1.51%, share price of CAD\$0.09 and expected life of three years.

# BLACK IRON INC.

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## 8. Warrants and warrant liability (continued)

### Warrant liability (continued)

On September 27, 2019, the Company issued 13,081,395 warrants as part of the convertible debenture which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.11 until September 27, 2023 (see Note 10). The fair value of these warrants of \$569,100 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 116%, risk-free rate of 1.47%, share price of CAD\$0.09 and expected life of four years.

On May 8, 2020, the Company issued 12,178,140 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.06 until May 8, 2023 (see Note 6). The fair value of these warrants of \$155,000 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 110%, risk-free rate of 0.26%, share price of CAD\$0.08 and expected life of three years.

On April 24, 2020, the Company issued 3,384,991 warrants as part of the convertible debenture which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.08 until April 24, 2024 (see Note 10). The fair value of these warrants of \$95,813 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 117%, risk-free rate of 0.38%, share price of CAD\$0.06 and expected life of four years.

On July 30, 2020, the Company announced that it had elected to accelerate the expiry date of the warrants issued on March 29, 2019 and April 5, 2019 in connection with the private placement units issued on these dates. The warrants were subject to the right of the Company to accelerate the expiry date of the warrants if the Company's common shares close at or above \$0.15 per share for more than 10 consecutive trading days on the Toronto Stock Exchange. As such, the warrants expiry date was accelerated to August 31, 2020. As a result of this acceleration, 10,444,529 warrants were exercised and 2,531,666 warrants expired, unexercised.

### Warrants

Warrant transactions during the periods presented were as follows:

	Number of Warrants	Fair value (\$)
Balance, December 31, 2018	-	-
Granted	105,000	3,020
Balance, December 31, 2019	105,000	3,020
Exercised	(25,000)	(732)
<b>Balance, September 30, 2020</b>	<b>80,000</b>	<b>2,288</b>

On March 29, 2019, the Company issued 105,000 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.09 until March 29, 2022. The fair value of these warrants of \$3,020 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 122%, risk-free rate of 1.45%, share price of CAD\$0.09 and expected life of three years.

# BLACK IRON INC.

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## 9. Related party transactions

### Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 7) 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:

	<b>Nine months ended September 30, 2020</b>	Nine months ended September 30, 2019
Short term employee benefits	\$ 535,069	\$ 533,007
Share-based payments	614,580	95,709
	<b>\$ 1,149,649</b>	<b>\$ 628,716</b>

Included in the above amounts is \$167,703 (\$168,664 for the nine months ended September 30, 2019) paid according to a contract for business and operational consulting services with Forbes & Manhattan, Inc., a company which Mr. Matt Simpson is Chief Executive Officer. Officers and directors had 6,256,250 options vest during the nine months ended September 30, 2020 (393,750 for the nine months ended September 30, 2019).

The Company is party to certain management contracts. These contracts require payments of approximately \$2.3 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 \$618,000 pursuant to the terms of these contracts.

As at September 30, 2020, the Company had \$265,898 (December 31, 2019 - \$109,593) of 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.

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.

# BLACK IRON INC.

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## 10. Convertible debenture

On September 18, 2019, the Company executed a convertible security funding agreement (the "Agreement") with Lind Global Macro Fund, LP ("Lind") providing for a secured convertible debenture financing for gross proceeds of up to CAD\$11,000,000 (\$8,306,275).

Pursuant to the Agreement, the Company issued to Lind a convertible security with a face value of CAD\$2,700,000 (\$2,037,890) (the "Convertible Security") on September 27, 2019, representing a principal amount of CAD\$2,250,000 (\$1,698,241) and a prepaid interest amount of CAD\$450,000 (\$339,649).

The Convertible Security is secured by all of the assets of the Company and bears interest at 10% per annum and matures on September 26, 2021. 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.

The Company issued to Lind 13,081,395 warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share, valued at \$569,100 on the date of issue (see Note 8).

The Company paid Lind a commitment fee of CAD\$78,750 (\$59,438) and legal fees associated with the Convertible Security of CAD\$57,571 (\$43,740).

The Company issued to Lind a second convertible security (the "Second Tranche") under the Agreement with a face value of CAD\$498,000 (\$353,639) on April 24, 2020, representing a principal amount of CAD\$400,475 (\$284,327) and a prepaid interest amount of CAD\$83,000 (\$59,000).

The Company issued Lind 3,384,991 warrants related to the Second Tranche. These warrants are exercisable for a term of 48 months at an exercise price of CAD\$0.08 per share, valued at \$95,813 on the date of issue (see Note 8).

The Company paid Lind closing costs of CAD\$14,525 (\$10,312) associated with the Second Tranche.

The Second Tranche is secured by all of the assets of the Company and bears interest at 10% per annum and matures on April 23, 2022. The Second Tranche includes covenants typical and customary for secured convertible securities of this nature. The Company must comply with the covenants on a regular basis.

The Convertible Security and the Second Tranche are accounted for as a compound financial instrument with a liability component and conversion option component classified as two separate liabilities, as well as the warrant liability component (Note 8).

The Convertible Security and the Second Tranche may be converted to common shares of the Company at a rate of no more than 1/20<sup>th</sup> of the face value of the Convertible Security and the Second Tranche in any given month and at a price per share equal to 85% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date. Lind reserves the right at any time to increase the conversion limit from 1/20<sup>th</sup> of the face value of the first closing to CAD\$500,000 per month, providing that increased amount does not exceed 15% of the aggregate trading volume of the shares for the immediately preceding 20 days. During the nine months ended September 30, 2020, the Company issued 15,323,548 shares as settlement for a portion of the outstanding convertible debenture (Note 6), converting CAD\$1,104,900 (\$829,442) of the face value of the convertible security to shares.

The fair value of the conversion features was estimated using a Binomial option pricing model using the following assumptions: expected dividend yield of 0%, weighted average expected volatility of 113% based on historical volatility of the Company's common shares, risk-free rate of 0.25%, and weighted average expected life of 1.12 years.

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## 10. Convertible debenture (continued)

The fair value of the liability components was estimated using a weighted average discount rate of 157% based on the estimated discount rate of comparable debt. The discount on the liability components is being accreted over the term of the Convertible Security and the Second Tranche, utilizing effective interest rate method at a 157% weighted average discount rate. For the nine months ended September 30, 2020, accretion of the discount totaled \$253,427 (\$1,426 for nine months ended September 30, 2019).

On bifurcation of the various components of the compound financial instrument, it was determined that a loss arose on the transaction in the amount of \$399,000. The Company has deferred this amount as prepaid and other asset and will realize the loss over the term of the Convertible Security. As at September 30, 2020, the balance of this prepaid and other asset is \$216,708.

Liability component as at December 31, 2018	\$	-
Issuance		1,358,378
Change in fair value		(65,455)
Effect of foreign exchange currency difference		25,602
Liability component as at December 31, 2019		1,318,525
Issuance		177,247
Change in fair value		109,595
Conversion		(560,041)
Effect of foreign exchange currency difference		36,099
<b>Conversion option as at September 30, 2020</b>	<b>\$</b>	<b>1,081,425</b>
Liability component as at December 31, 2018	\$	-
Issuance		116,208
Accretion		53,455
Effect of foreign exchange currency difference		3,099
Liability component as at December 31, 2019		172,762
Issuance		11,267
Accretion		253,427
Conversion		(119,022)
Effect of foreign exchange currency difference		(2,664)
<b>Liability component as at September 30, 2020</b>	<b>\$</b>	<b>315,770</b>

At September 30, 2020, the fair value of the conversion option component was \$1,081,425 and the carrying amount of the liability component was \$315,770.

## 11. Loan payable

In April 2020, the Company received a CAD\$40,000 (\$29,987) Canadian Emergency Business Account ("CEBA") loan. The CEBA loan is from the Government of Canada and is interest free through December 31, 2022, after which any unpaid balance is converted to a five-year interest-bearing term loan. Repaying the loan balance in full on or before December 31, 2022 will result in loan forgiveness of 25% (up to CAD\$10,000).

# **BLACK IRON INC.**

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## **12. Commitments and contingencies**

### **Legal**

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.

### **Environmental**

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### **Contracts**

See Note 9.

### **Novel Coronavirus**

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.