

BLACK IRON INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Date: November 13, 2020

This Management Discussion and Analysis (“MD&A”) relates to the financial condition and results of operations of Black Iron Inc. together with its subsidiaries (collectively, “Black Iron” or the “Company”) as at and for the three and nine months ended September 30, 2020. 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 three and nine months ended September 30, 2020 and its consolidated financial statements and related notes for the year ended December 31, 2019. The condensed consolidated interim financial statements and related notes of Black Iron have been prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 facts, but is rather based on the current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company’s industry, business and future financial results. Actual results could differ materially from the results contemplated by this forward-looking information due to a number of factors, including those set forth in this MD&A and under the “Cautionary Statement Regarding Forward Looking Information” and “Risk Factors” sections.

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

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

The audit committee of the board of directors of the Company has reviewed this MD&A and the condensed consolidated interim financial statements for the three and nine months ended September 30, 2020, 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.

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, as set forth in the PEA, 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 publishing the PEA, iron ore prices have substantially increased as spending on major infrastructure projects which entail a large consumption of steel and therefore iron ore forms part of the global economic recovery from COVID-19. There has also been a prominent shift in the iron ore market towards higher iron grade and forms of iron ore that recognizes the “value in use” of iron ore products. This shift has been driven primarily 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 by industry experts 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 expected concentrate was made. This comparison found that the Project’s expected concentrate is well below the Min-Max impurity range covered by the Platts benchmark suggesting that the Project’s expected 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) and SEDAR (www.sedar.com).

Outlook

Iron ore prices continue to remain strong with benchmark 62% iron content ore currently selling for ~US\$115 per tonne as compared to the long-term price used in Black Iron’s PEA of \$62 per tonne. Iron ore is one of the top price appreciating main stream commodities year to date driven in large part by government economic stimulus packages to help get people back to work in light of COVID-19 being highly focused on major infrastructure (roads, railway, power lines, etc.) upgrades. This price increase has led to several steel mills and global trading houses expressing interest to secure Black Iron’s offtake resulting in a formal two staged process being launched with the first phase having closed on October 9, 2020. A short list of companies from phase 1 are being invited to participate in the second phase which entails access to a more extensive data room and the option to conduct a site visit either virtually or in person depending on personal preferences and travel restrictions. Upon completion of the second phase early next year, binding submissions to invest and secure offtake rights will be sought.

Black Iron’s management are well advanced in the negotiation of terms for a potential royalty investment valued at multiple times the Company’s current market capitalization. The main benefit of including a royalty investment as part of the capital structure is it is less dilutive for existing shareholders given the investment amount relative to today’s market capitalization. Should this royalty investment be secured on attractive terms, it has the potential to displace the offtake investment as the main source of equity required for Project construction. For clarity, Company management will still seek to secure an offtake investment to round out the equity required for Project construction and product purchase agreements often required by debt investors. It is possible, this royalty could be finalized prior to the end of this year.

The land Black Iron requires to locate its processing plant, tailings and waste rock stockpiles is owned by Ukraine’s Central Government and is being used by the Ministry of Defense for training purposes. As part of ongoing negotiations for this land transfer, a request for proposal (“RFP”) is being issued to engineering firms with expertise in the design of training bases for weapons firing and storage so the current training base’s functionality can be maintained. Completion of this engineering design work is a critical step in the negotiation of a compensation package for the land transfer to occur, which also entails the construction of several apartment buildings for service men and women. An allocation for these costs has been included within the Company’s PEA’s estimated US\$452 million total construction cost estimate for the entire Shymanivske Project.

Third Quarter Highlights

- On July 22, 2020, a ceasefire agreement was reached between Ukraine, Russia and the OECD to end the conflict in Eastern Ukraine.
- In September 2020, the Company announced a substantial increase in interest from groups looking for iron ore offtake due to the sharp increase in iron ore prices combined with China's efforts to diversify away from its strong reliance on Australian iron ore. The Company has kicked off a formal two stage competitive process with bid submission deadlines to obtain definitive investment proposals from interested companies seeking a guaranteed share of production from the Shymanivske project. The first stage of the competitive process has concluded with the Company receiving several expressions of interest to invest in exchange for offtake rights. These proposals are currently being reviewed and selected groups will be invited to participate in the second round of the process.
- On October 13, 2020, management announced that as an additional source of funding for Project construction, a second Heads of Agreement with a construction company that includes an investment package valued at ~US\$60 million has been signed.

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 President made some major changes to government Ministers on March 4, 2020 including the appointment of a new Prime Minister, Minister of Economy and Minister of Defense because he was upset at their rate of implementing economic 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).

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 interim 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

Three months ended	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Loss for the period	\$ 1,090,961	\$ 2,078,236	\$ 277,264	\$ 466,062
Total comprehensive loss	1,090,961	2,078,236	277,264	466,062
Loss per share	-	(0.01)	-	(0.01)

Three months ended	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	(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

	2019	2018	2017
	\$	\$	\$
Net loss	2,898,038	2,124,529	2,907,483
Comprehensive loss	3,066,005	3,581,430	1,575,236
Loss per share, basic and diluted	(0.02)	(0.01)	(0.02)
Total assets	1,391,705	676,245	4,201,264

Results of Operations for the Company for the Three and Nine Months Ended September 30, 2020

Selected Financial Information

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Loss for the period	\$ 1,090,961	\$ 808,957	\$ 3,446,460	\$ 2,431,976
Comprehensive loss for the period	1,090,961	808,957	3,446,460	2,599,943
Loss per share	-	-	(0.02)	(0.01)
General and administrative:				
Consulting and management fees	\$ 171,632	\$ 221,049	\$ 566,117	\$ 676,066
Professional fees	38,044	49,991	110,154	91,602
General office expenses	39,625	38,711	128,025	119,406
Travel expenses	27	14,540	21,698	49,687
Shareholder communications and filing fees	38,666	72,809	116,381	248,529
	\$ 287,994	\$ 397,100	\$ 942,375	\$ 1,185,290
Exploration and evaluation expenditures:				
Surface rights and consulting	\$ 27,039	\$ 30,590	\$ 71,356	\$ 32,817
Engineering studies	-	-	-	-
Consulting and technical	118,870	109,762	370,058	343,435
Travel	-	9,351	6,228	24,713
Field office support & administration	14,850	21,303	46,819	53,495
	\$ 160,759	\$ 171,006	\$ 494,461	\$ 454,460
Non-cash:				
Stock-based compensation	\$ 91,410	\$ 22,481	\$ 721,344	\$ 139,733
Financing costs	49,875	447,720	156,896	447,720
Accretion	102,902	1,426	253,427	1,426
Change in fair value of warrants investment	-	-	-	390
Change in fair value of investment	-	-	-	(476,284)
Change in fair value of warrant liability	321,942	(231,046)	848,065	202,921
Change in fair value of conversion option	66,735	-	109,595	-
	\$ 566,129	\$ 240,581	\$ 1,979,732	\$ 315,906

Three months ended September 30, 2020

Expenses

General and Administrative

Professional fees were \$38,044 during the three months ended September 30, 2020 compared to \$49,991 for the same period in the prior year. These fees were higher in the previous year due to retention of a financial advisor in the quarter to assist with securing funding for project construction.

General office expenses of \$39,625 in the three months ended September 30, 2020 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, 2019, the Company recorded a general office expense of \$38,711.

Travel expenses were \$27 during the three months ended September 30, 2020 compared with a \$14,540 in the same period in the prior year. The decrease was due to travel restrictions imposed by world governments during the COVID-19 pandemic.

Shareholder communications and filing fees were \$38,666 during the three months ended September 30, 2020 compared with \$72,809 in the same period in the prior year. This decrease was primarily due to higher promotional and marketing costs in the prior year that did not recur in 2020.

Exploration and Evaluation Expenditure

The Company recorded exploration and evaluation expenses of \$160,759 during the three months ended September 30, 2020. This expenditure was primarily for consulting and technical fees related to the Shymanivske Project as required primarily for surface rights acquisition. This is \$10,247 lower than the same period in the prior year.

Non-Cash Items

2,782,500 stock options were granted, 187,500 stock options were forfeited, and 2,132,500 stock options expired during the three months ended September 30, 2020. No stock options were granted, forfeited or expired during the three months ended September 30, 2019. The vesting of stock options resulted in an expense during the three months ended September 30, 2020 of \$160,759 compared with \$13,248 during the three months ended September 30, 2019. The Company granted no deferred share units ("DSUs") during the three months ended September 30, 2020. The Company granted 152,344 DSUs valued at \$9,233 during the three months ended September 30, 2019.

As part of the convertible security financing which closed on September 27, 2019, the Company issued 13,081,395 common share purchase warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share. As part of the second tranche of the convertible security financing, which closed on April 24, 2020, the Company issued 3,384,991 common share purchase warrants exercisable for a term of 48 months at an exercise price of CAD\$0.08 per share. The valuation of the warrants was determined using the Black-Scholes option pricing model and were included as a financing cost of the Company's convertible debenture. The movement in the valuation at each period end is reflected in the statement of loss and comprehensive loss. The convertible debenture is bifurcated between a liability component and a conversion option on the financial statements. The conversion option is recorded as a \$1,081,425 liability on the financial statements at September 30, 2020 and the liability component of the convertible debenture is recorded on the financial statements at \$315,770 at September 30, 2020. The Company recorded a gain on the fair value of the conversion option of \$66,735 during the three months ended September 30, 2020 (\$nil for the three months ended September 30, 2019) and accretion related to the liability component of \$102,902 during the three months ended September 30, 2020 (\$1,426 for the three months ended September 30, 2019). During the three months ended September 30, 2020, the Company issued 3,091,651 shares as settlement for a portion of the outstanding convertible debenture, converting CAD\$294,900 (\$221,380) of the face value of the convertible security to shares.

Nine months ended September 30, 2020

Expenses

General and Administrative

Professional fees were \$110,154 during the nine months ended September 30, 2020 compared to \$91,602 for the same period in the prior year. These fees were higher in the current year due to advisory fees incurred in 2020 that were not incurred in the prior year.

General office expenses of \$128,025 in the nine months ended September 30, 2020 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, 2019, the Company recorded a general office expense of \$119,406.

Travel expenses were \$21,298 during the nine months ended September 30, 2020 compared with \$49,687 in the same period in the prior year. The decrease was due to travel restrictions imposed by world governments during the COVID-19 pandemic.

Shareholder communications and filing fees were \$116,381 during the nine months ended September 30, 2020 compared with \$248,529 in the same period in the prior year. This decrease was primarily due to higher promotional and marketing costs in the prior year.

Exploration and Evaluation Expenditure

The Company recorded exploration and evaluation expenses of \$494,461 during the nine months ended September 30, 2020. This expenditure was primarily for consulting and technical fees combined with surface rights costs related to the Shymanivske Project. This is \$40,001 lower than the same period in the prior year.

Non-Cash Items

9,042,500 stock options were granted, 187,500 stock options were forfeited, and 3,395,000 stock options expired during the nine months ended September 30, 2020. 2,900,000 stock options were granted, and 3,750,000 stock options expired during the nine months ended September 30, 2019. The vesting of stock options resulted in an expense during the nine months ended September 30, 2020 of \$464,166 compared with \$65,865 during the nine months ended September 30, 2019. The Company granted 3,307,083 deferred share units (“DSUs”) valued at \$239,247 during the nine months ended September 30, 2020. The Company granted 1,824,220 DSUs valued at \$74,868 during the nine months ended September 30, 2019.

As part of the convertible security financing which closed on September 27, 2019, the Company issued 13,081,395 common share purchase warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share. As part of the second tranche of the convertible security financing, which closed on April 24, 2020, the Company issued 3,384,991 common share purchase warrants exercisable for a term of 48 months at an exercise price of CAD\$0.08 per share. The valuation of the warrants was determined using the Black-Scholes option pricing model and were included as a financing cost of the Company’s convertible debenture. The movement in the valuation at each period end is reflected in the statement of loss and comprehensive loss. The convertible debenture is bifurcated between a liability component and a conversion option on the financial statements. The conversion option is recorded as a \$1,081,425 liability on the financial statements at September 30, 2020 and the liability component of the convertible debenture is recorded on the financial statements at \$315,770 at September 30, 2020. The Company recorded a loss on the fair value of the conversion option of \$109,595 during the nine months ended September 30, 2020 (\$nil for the nine months ended September 30, 2019) and accretion related to the liability component of \$253,427 during the nine months ended September 30, 2020 (\$1,426 for the nine months ended September 30, 2019). 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, converting CAD\$1,104,900 (\$829,442) of the face value of the convertible security to shares.

Cash Flows

Three months ended September 30, 2020

During the three months ended September 30, 2020, operating activities before working capital changes used cash of \$491,952 compared with a use of cash of \$568,291 during the three months ended September 30, 2019. 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, 2020 was \$1,067 primarily for interest earned, compared to cash provided in investing activities during the three months ended September 30, 2019 of \$512. Cash provided by financing activities of \$745,267 was primarily from a warrant and option exercises, compared to cash provided by financing activities of \$1,595,063 from proceeds from the convertible debenture in the three months ended September 30, 2019.

Nine months ended September 30, 2020

During the nine months ended September 30, 2020, operating activities before working capital changes used cash of \$1,367,241 compared with a use of cash of \$1,637,748 during the nine months ended September 30, 2019. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Cash used in investing activities during the nine months ended September 30, 2020 was \$1,119 primarily for equipment purchased partially offset by interest earned, compared to cash provided by investing activities during the nine months ended September 30, 2019 of \$336,889, primarily from the sale of Euro Sun shares. Cash provided by financing activities of \$2,305,267 was primarily from a private placement which generated net cash of \$1,225,778, net cash from the second tranche of the convertible debenture of \$284,327, \$737,450 from warrant exercises, \$27,725 from option exercises, and cash from the Canadian Emergency Relief Benefit loan of \$29,351, compared to \$2,741,199 from private placements and the convertible debenture in the nine months ended September 30, 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, 2020, the Company had working capital of \$1,573,756 including cash of \$1,983,101 (December 31, 2019 - \$988,844), compared with working capital of \$687,621 as at December 31, 2019. 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 \$618,000 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.

Novel Coronavirus ("COVID-19")

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.

Related Party Transactions

During the nine months ended September 30, 2020, the Company paid or accrued \$1,149,649 (\$628,716 for the nine months ended September 30, 2019) of management compensation relating to officers and directors of the Company. Included in this amount was \$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. 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, 2020, the Company had \$265,898 (December 31, 2019 - \$109,593) 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 interim 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 interim 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) 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.

(ii) 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.

(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 consolidated 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.

Derivative liabilities

Warrants issued 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, 2020.

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; and
- 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, 2020. 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, 2020 and ended on September 30, 2020 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 errors or mistakes. 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.

Outstanding Share Data

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

- a) 251,484,863 common shares outstanding.
- b) 14,617,500 stock options outstanding with expiry dates ranging from February 16, 2022 to August 7, 2025 with exercise prices ranging from CAD\$0.05 to CAD\$0.15. If exercised, 14,617,500 shares would be issued for proceeds of CAD\$1,474,413.
- c) 28,557,860 warrants outstanding with expiry dates ranging from March 29, 2022 to May 8, 2023 with exercise prices between CAD\$0.06 and CAD\$0.11.
- d) 8,781,564 DSUs outstanding with no fixed expiry.
- e) CAD\$1.933 million face value outstanding on the convertible debenture estimated to be converted into 18,952,941 shares, based on the Company's current volume weighted average share price. The Company received TSX approval to issue up to 46,573,227 shares to Lind of which 16,971,341 shares have been issued to date.

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. Forward-looking information may include, but is not limited to, statements with respect to the Shymanivske Project, the PEA, expected economic forecasts and the economic viability of the 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, the impact of COVID-19, the Company's ability to obtain adequate funding, negotiations with off-take partners, negotiations with respect to a royalty financing 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.