

BLACK IRON INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

Date: November 5, 2021

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, 2021. This MD&A should be read in conjunction with the Company’s consolidated financial statements and related notes as at and for the year ended December 31, 2020. 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 consolidated financial statements for the three and nine months ended September 30, 2021, 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 and subsequently amended it with a filing date of March 2, 2020. 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 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 40.5% and a net present value (“NPV”) of \$1,852 million, using a 10% discount rate. The after-tax unlevered IRR using this price and premium is 34.4% and NPV is \$1,442 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. The recent price pullback from record high achieved earlier this year is largely driven by China curbing pollution to make the sky clearer coming into the 2022 Beijing Olympics. Once the Olympics conclude, industry experts anticipate China to ramp up steel production resulting in a rebound in 62% iron content prices. Iron content grade premiums are supported by fundamentals as the quickest way to reduce emissions in the production of steel is to use higher iron content feedstock and pellets instead of sintering fines which supports the market fundamentals for Black Iron’s ultra premium 68% iron content pellet feed.

Wood Plc continues to progress Black Iron’s feasibility study and is on track to complete this work late Q1 2022. ERM simultaneously are working on the Environmental and Social Impact Assessment (EISA) with emphasis on collecting field baseline data.

Negotiations remain ongoing with Cargill to finalize a binding offtake agreement in exchange for making a US\$75 million investment in Project construction. Discussions with mainly European based banks and Export Credit Agencies plus the previously announced US\$100 million royalty provider remain ongoing and their external diligence for binding contracts will soon commence given the advanced state of the feasibility study and EISA.

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. Black Iron is currently negotiating binding contracts on land transfer and a compensation package that will entail reconstruction of impacted training facilities along with the purchase of apartments for use by military personnel. To maintain the functionality of this training facility, some land will need to be repatriated from two local communal enterprises and a land transfer support agreement has recently been reached with one of these two groups.

Second Quarter Highlights

- On May 10, 2021, Black Iron announced that it has selected Cargill Incorporated (“Cargill”) for offtake rights on the initial four million tonnes per year of production from its Project and a \$75 million finance facility to be used for project construction. To date, the majority of the commercial terms have been settled with only a few key outstanding items remaining to resolve. The Company expects to complete these discussions shortly and will provide an update once a binding agreement has been executed.
- On May 18, 2021, the Company announced the addition of Zenon Potoczny to its Board of Directors, Stefan Gueorguiev as Project Director and the retirement of Les Kwasiak.
- On July 21, 2021, the Company announced that it had closed a short form prospectus financing, raising gross proceeds of \$9,134,959 (CAD\$11.5 million) through the issuance of 28,750,000 common shares at a price

of CAD\$0.40 per share. The Company incurred share issuance costs of \$775,339 (CAD\$976,075) in relation to the financing, resulting in net proceeds of \$8,691,228 (CAD\$10,941,387).

- On June 30, 2021, Black Iron announced Wood Plc has been engaged to conduct an updated feasibility study based on the phased construction. Wood Plc is making good progress on the feasibility study and the Company anticipates it will be completed in early 2022.
- ERM continues to advance the Environmental & Social Impact Assessment with several field site investigations completed. Efforts are currently being made to locate the Company's future processing plant, tailing, waste rock stockpiles on the defence training grounds to minimize the impact on the environmental and local communities to ensure the project viability.

Cargill Offtake Rights

On May 10, 2021, Black Iron announced that it has selected Cargill Incorporated ("Cargill") for offtake rights on the initial four million tonnes per year of production from its Project for a ten year period of time in exchange for providing a \$75 million finance facility to be used for project construction.

Subject to completion of due diligence and successful conclusion of negotiations, Cargill will offtake the production and extend financing of \$75 million for the construction of the Project. Drawdown on this funding will be subject to certain conditions being met, as is customary for this type of transaction, mainly related to the Project being fully permitted and financed for construction. Based on the proposal agreed between Black Iron and Cargill (the "Proposal"), the offtake agreement will be for an initial term of ten years and will include a profit-sharing component which will align the interests of both parties and thereby generate a strong interdependent relationship of benefit to both parties. On the profit share, it is anticipated that Black Iron will receive 100% of the 65% iron content fines benchmark price, currently ~\$230 per tonne, and share with Cargill a portion of the incremental sale price of its 3% higher (68%) iron content and low impurity magnetite product. Black Iron and Cargill are currently negotiating definitive binding offtake terms.

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. Further in July 2021, President Zelensky replaced the Armed Forces Chief of General Staff and a Deputy Minister of Defence due to conflicts between these associated departments.

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 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

| Three months ended | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 |
|---------------------------|--------------------|---------------|----------------|-------------------|
| Loss for the period | \$ 2,073,752 | \$ 897,499 | \$ 686,533 | \$ 5,631,385 |
| Total comprehensive loss | 2,151,274 | 900,154 | 680,781 | 5,631,385 |
| Loss per share | (0.01) | - | - | (0.02) |

| 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) | - | (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

| | 2020 | 2019 | 2018 |
|-----------------------------------|------------------|-----------|-----------|
| | \$ | \$ | \$ |
| Net loss | 9,077,845 | 2,898,038 | 2,124,529 |
| Comprehensive loss | 9,077,845 | 3,066,005 | 3,581,430 |
| Loss per share, basic and diluted | (0.04) | (0.02) | (0.01) |
| Total assets | 1,794,498 | 1,391,705 | 676,245 |

Results of Operations for the Company for the Three and nine months ended September 30, 2021

Selected Financial Information

| | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|--|--|--|---|---|
| Loss for the period | \$ 2,073,752 | \$ 1,090,961 | \$ 3,657,784 | \$ 3,446,460 |
| Comprehensive loss for the period | 2,151,274 | 1,090,961 | 3,732,209 | 3,446,460 |
| Loss per share | (0.01) | - | (0.01) | (0.02) |
| General and administrative: | | | | |
| Consulting and management fees | \$ 982,793 | \$ 171,632 | \$ 1,393,379 | \$ 566,117 |
| Professional fees | 30,080 | 38,044 | 107,806 | 110,154 |
| General office expenses | 24,296 | 39,625 | 106,030 | 128,025 |
| Travel expenses | - | 27 | 13 | 21,698 |
| Shareholder communications and filing fees | 64,823 | 38,666 | 223,280 | 116,381 |
| | \$ 1,101,992 | \$ 287,994 | \$ 1,830,508 | \$ 942,375 |
| Exploration and evaluation expenditures: | | | | |
| Consulting and technical | \$ 432,637 | \$ 118,870 | \$ 787,161 | \$ 370,058 |
| Feasibility study | 339,411 | - | 371,488 | - |
| Surface rights and consulting | 48,276 | 27,039 | 138,578 | 71,356 |
| Engineering studies | (10,775) | - | - | - |
| Field office support & administration | 88,058 | 14,850 | 120,471 | 46,819 |
| Travel | 3,348 | - | 9,986 | 6,228 |
| Professional fees | 74 | - | 785 | - |
| Environmental | 69,640 | - | 93,275 | - |
| | \$ 970,669 | \$ 160,759 | \$ 1,521,744 | \$ 494,461 |
| Non-cash: | | | | |
| Stock-based compensation | \$ 12,596 | \$ 91,410 | \$ 254,574 | \$ 721,344 |
| Financing costs | (181) | 49,875 | 52,620 | 156,896 |
| Accretion | (19) | 102,902 | 5,468 | 253,427 |
| Change in fair value of warrant liability | - | 321,942 | - | 848,065 |
| Change in fair value of conversion option | 27 | 66,735 | (7,677) | 109,595 |
| | \$ 12,396 | \$ 566,129 | \$ 304,985 | \$ 2,089,327 |

Three months ended September 30, 2021

Expenses

Consulting and Management Fees

Consulting and management fees were \$982,793 during the three months ended September 30, 2021 compared with \$171,632 in the same period in the prior year. This increase was primarily due to bonuses paid in 2021 that were not paid in 2020.

Shareholder Communications and Filing Fees

Shareholder communications and filing fees were \$64,823 during the three months ended September 30, 2021 compared with \$38,666 in the same period in the prior year. This increase was primarily due to higher promotional and marketing costs in 2021.

Exploration and Evaluation Expenditures

The Company recorded exploration and evaluation expenses of \$970,669 during the three months ended September 30, 2021 compared to \$160,759 in the prior year. This increase was primarily due to feasibility study costs, surface costs, consulting fees, field office support, and environmental costs related to the Shymanivske Project.

Non-Cash Items

No stock options were granted during the three months ended September 30, 2021. 2,782,500 stock options were granted during the three months ended September 30, 2020. The vesting of stock options resulted in an expense during the three months ended September 30, 2021 of \$2,915 compared with \$82,273 during the three months ended September 30, 2020. The Company granted 48,750 deferred share units (“DSUs”) valued at \$9.681 during the three months ended September 30, 2021. The Company granted no deferred share units valued at \$nil during the three months ended September 30, 2020.

Cash Flows

Three months ended September 30, 2021

During the three months ended September 30, 2021, operating activities before working capital changes used cash of \$2,060,579 compared with a use of cash of \$491,952 during the three months ended September 30, 2020. 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, 2021 was \$569 for interest earned, compared to cash used in investing activities during the three months ended September 30, 2020 of \$1,067 primarily for equipment purchases. Cash provided by financing activities of \$8,324,512 was primarily related to the prospectus financing, compared to cash provided by financing activities of \$745,267 for the three months ended September 30, 2021, which was primarily from option and warrant exercises.

Nine months ended September 30, 2021

Expenses

Consulting and Management Fees

Consulting and management fees were \$1,393,379 during the nine months ended September 30, 2021 compared with \$566,117 in the same period in the prior year. This increase was primarily due to bonuses paid in 2021 that were not paid in 2020 and an increase in the number of staff.

Shareholder Communications and Filing Fees

Shareholder communications and filing fees were \$223,280 during the nine months ended September 30, 2021 compared with \$116,381 in the same period in the prior year. This increase was primarily due to higher promotional and marketing costs in 2021, combined with higher listing fees due to the Company's increased share price in 2021.

Exploration and Evaluation Expenditures

The Company recorded exploration and evaluation expenses of \$1,521,744 during the nine months ended September 30, 2021 compared to \$494,461 in the prior year. This increase was primarily due to higher feasibility costs, consulting, surface rights and environmental costs related to the Shymanivske Project.

Non-Cash Items

1,100,000 stock options were granted during the nine months ended September 30, 2021. 9,042,500 stock options were granted during the nine months ended September 30, 2020. The vesting of stock options resulted in an expense during the nine months ended September 30, 2021 of \$183,041 compared with \$464,166 during the nine months ended September 30, 2020. The Company granted 206,175 deferred share units ("DSUs") valued at \$71,533 during the nine months ended September 30, 2021. The Company granted 3,307,083 DSUs valued at \$239,247 during the nine months ended September 30, 2020.

As part of the convertible security financing for which a first tranche closed on September 27, 2019 and a second tranche closed on April 24, 2020, the Company recorded the convertible debenture as bifurcated between a liability component and a conversion option on the financial statements. During the nine months ended September 30, 2021, the remaining balance of the convertible debenture was fully converted to shares and the conversion option and the liability component of the convertible debenture were recorded as \$nil on the financial statements at September 30, 2021. For the nine months ended September 30, 2021, the Company recorded a gain on the fair value of the conversion option of \$7,704 (loss of \$42,860 for the nine months ended September 30, 2020) and accretion related to the liability component of \$5,487 during the nine months ended September 30, 2021 (\$150,525 for the nine months ended September 30, 2020). During the nine months ended September 30, 2021, the Company issued 2,590,627 shares for the final outstanding balance of the convertible debenture, converting \$358,588 (CAD\$456,711) of the face value of the convertible security to shares.

Cash Flows

Nine months ended September 30, 2021

During the nine months ended September 30, 2021, operating activities before working capital changes used cash of \$3,263,443 compared with a use of cash of \$1,367,241 during the nine months ended September 30, 2020. 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, 2021 was \$327, primarily for interest earned, partially offset by equipment purchases, compared to cash used in investing activities during the nine months ended September 30, 2020 of \$1,119 primarily for equipment purchases. Cash provided by financing activities of \$8,943,147 was primarily related to the prospectus financing,

combined with option and warrant exercises, compared to cash provided by financing activities of \$2,305,267 for the nine months ended September 30, 2021, which was primarily from option exercises a private placement, and net proceeds from the second tranche of the convertible debentures.

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, 2021, the Company had working capital of \$6,646,211 including cash of \$7,158,193 (December 31, 2020 - \$1,665,600), compared with working capital of \$1,137,466 as at December 31, 2020. 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 \$3.0 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 \$643,000 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.

Perpetual Iron

On December 22, 2020, the Company issued 30,000,000 non-transferrable warrants to Perpetual Iron Inc. for facilitating and supporting the negotiations of a non-binding \$100 million royalty. The warrants do not vest until certain conditions are met. 10,000,000 warrants vest upon entering a binding definitive agreement with the investor and the remaining 20,000,000 warrants vest upon the Company's initial draw on the financing facility. If no binding definitive agreement is reached within two years, all warrants will be voided. Additionally, the Company will make a \$4.0 million dollar payment to Perpetual Iron contingent on the Company entering a binding agreement and making an initial draw on the financing facility. Neither the warrants nor the fee have been included in the condensed consolidated interim financial statements at September 30, 2021 as management has estimated that the vesting conditions have not been met.

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

Key management personnel compensation

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

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|------------------------------|---|---|
| Short term employee benefits | \$ 1,410,120 | \$ 535,069 |
| Share-based payments | 212,388 | 614,580 |
| | \$ 1,622,508 | \$ 1,149,649 |

Included in the above amounts is \$179,813 (\$167,703 for the nine months ended September 30, 2020) paid according to a contract for business and operational consulting services with Forbes & Manhattan, Inc., which has common executives with the Company. Officers and directors had 987,500 options vest during the nine months ended September 30, 2021 (6,256,250 for the nine months ended September 30, 2020).

The Company is party to certain management contracts. These contracts require payments of approximately \$3.0 million upon the occurrence of a change in control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$643,000 pursuant to the terms of these contracts. As triggering events have not yet taken place, no amounts have been provided for these items.

As at September 30, 2021, the Company had \$532,140 (December 31, 2020 - \$434,375) 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.

Critical Judgments and Estimation Uncertainties:

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

(a) Significant judgments in applying accounting policies

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

(i) 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, 2020, with the exception if the accounting change outlined below.

On January 1, 2021, the Company changed the functional currency of its Canadian entity from US dollars to Canadian dollars. This change was made as it was determined that the Canadian dollar was now the predominant currency influencing expenses for the Canadian entity as the Company intends to fund the Shymanivske project from Canadian funds raised. This change was applied to the financial statements prospectively.

As a result of the change to the functional currency of the Canadian entity, the treatment of the Company's warrants changed. Prior to the change in the Canadian entity's functional currency, the warrants issued by the Company did not qualify for classification as equity and were recorded as a derivative liability, as the exercise price was not denominated in the Canadian entity's functional currency of the US dollar. As such, these warrants were classified as warrant liabilities and were recorded at the estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Changes in fair value of each period were included in income or loss for the period. With the change in functional currency for the Canadian entity, the exercise price of these warrants is now denominated in the Canadian entity's functional currency and as such, these warrants now qualify for classification as equity. Existing warrants recorded as liabilities on January 1, 2021, the date of change in the functional currency, were extinguished and subsequently reclassified as warrants recorded as equity at their then estimated fair value. There were no changes in the value of these warrants recorded through the statement of loss for the nine months ended September 30, 2021.

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, 2021.

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, 2021. 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, 2021 and ended on September 30, 2021 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) 302,061,048 common shares outstanding.
- b) 14,145,000 stock options outstanding with expiry dates ranging from February 16, 2022 to May 18, 2026 with exercise prices ranging from CAD\$0.05 to CAD\$0.48. If exercised, 14,145,000 shares would be issued for proceeds of CAD\$1,775,525.
- c) 49,522,945 warrants outstanding with expiry dates ranging from March 29, 2022 to December 22, 2025 with exercise prices between CAD\$0.06 and CAD\$0.40. If exercised, 49,522,945 shares would be issued for proceeds of CAD\$11,304,758.
- d) 9,273,065 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. 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, the outlook on demand for iron ore in China, 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 Cargill with respect to the definitive offtake agreement, 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, environmental and emission concerns, 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.