



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

For the three and nine months ended September 30, 2021 and 2020

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

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

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

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

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

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BLACK IRON INC.

Consolidated statements of financial position
(Expressed in U.S. dollars)

	September 30, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 7,158,193	\$ 1,665,600
Amounts receivable and prepaid expenses	529,908	83,084
Total current assets	7,688,101	1,748,684
Prepaid and other (Note 9)	-	41,619
Equipment	5,118	4,195
Total assets	\$ 7,693,219	\$ 1,794,498
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 1,041,890	\$ 611,218
Total current liabilities	1,041,890	611,218
Non-current		
Warrant liability (Note 7)	-	6,521,549
Conversion option of convertible debenture (Note 9)	-	270,585
Liability component of convertible debenture (Note 9)	-	90,187
Loan payable (Note 10)	47,092	31,417
Total liabilities	1,088,982	7,524,956
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Common shares (Note 5)	84,104,017	72,563,431
Share based payments reserve (Note 6)	1,430,124	1,259,540
Warrant reserve (Note 7)	4,353,301	2,288
Accumulated other comprehensive income	(69,704)	-
Accumulated deficit	(83,213,501)	(79,555,717)
Total shareholders' equity (deficiency)	6,604,237	(5,730,458)
Total shareholders' equity and liabilities	\$ 7,693,219	\$ 1,794,498

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 8 and Note 11)

Approved by the Board of Directors on November 5, 2021

"BRUCE HUMPHREY", Director

"JOHN DETMOLD", Director

BLACK IRON INC.

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Expenses				
Consulting and management fees (Note 8)	\$ 982,793	\$ 171,632	\$ 1,393,379	\$ 566,117
Professional fees expense	30,080	38,044	107,806	110,154
General office expenses	24,296	39,625	106,030	128,025
Exploration and evaluation expenses (Note 4)	970,669	160,759	1,521,744	494,461
Share-based compensation (Note 6 and Note 8)	12,596	91,410	254,574	721,344
Travel expenses	-	27	13	21,698
Shareholder communications and filing fees	64,823	38,666	223,280	116,381
Change in fair value of warrant liability (Note 7)	-	321,942	-	848,065
Change in fair value of conversion option (Note 9)	27	66,735	(7,677)	109,595
Finance costs (Note 9)	(181)	49,875	52,620	156,896
Accretion (Note 9)	(19)	102,902	5,468	253,427
Loss (gain) on foreign exchange	(10,763)	10,555	2,264	(76,065)
Interest income	(569)	(1,211)	(1,717)	(3,638)
Net loss for the period	\$ 2,073,752	\$ 1,090,961	\$ 3,657,784	\$ 3,446,460
Other comprehensive loss				
Items that may be subsequently classified to net loss:				
Cumulative exchange translation adjustments	77,522	-	74,425	-
Total other comprehensive loss	77,522	-	74,425	-
Comprehensive loss for the period	\$ 2,151,274	\$ 1,090,961	\$ 3,732,209	\$ 3,446,460
Basic and diluted loss per share	\$ (0.01)	\$ 0.00	(\$0.01)	(\$0.02)
Weighted average number of common shares outstanding - basic and diluted	295,954,798	243,672,554	275,448,279	216,701,991

BLACK IRON INC.

Consolidated statements of changes in shareholders' equity (deficiency)
(Expressed in U.S. dollars)

	Common shares		Share based payments	Accumulated deficit	Warrants	Accumulated other comprehensive loss	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2019	186,299,159	68,321,728	548,791	(70,604,863)	3,020	-	(1,731,324)
Net loss for the period	-	-	-	(3,446,460)	-	-	(3,446,460)
Stock option expiry (Note 6)	-	-	(68,705)	68,705	-	-	-
Stock option forfeiture (Note 6)	-	-	(5,092)	5,092	-	-	-
Stock option exercise (Note 6)	750,000	37,785	(10,060)	-	-	-	27,725
Stock option vesting (Note 6)	-	-	464,166	-	-	-	464,166
Deferred share units (Note 6)	-	-	239,247	-	-	-	239,247
Warrant exercise (Note 7)	10,936,193	1,349,192	-	-	(732)	-	1,348,460
Warrant liability expiry (Note 7)	-	-	-	53,194	-	-	53,194
Conversion of debt to shares (Note 9)	15,323,548	679,063	-	-	-	-	679,063
Private placement (Note 5)	36,534,420	1,151,546	-	-	-	-	1,151,546
Cost of issue (Note 5)	-	(80,768)	-	-	-	-	(80,768)
Balance, September 30, 2020	249,843,320	71,458,546	1,168,347	(73,924,332)	2,288	-	(1,295,151)
Balance, December 31, 2020	259,939,588	72,563,431	1,259,540	(79,555,717)	2,288	-	(5,730,458)
Opening balance, January 1, 2021 (Note 3)	-	-	-	-	-	4,721	4,721
Net loss and comprehensive loss	-	-	-	(3,657,784)	-	(74,425)	(3,732,209)
Stock option plan (Note 6)	-	-	198,211	-	-	-	198,211
Stock option exercise (Note 6)	1,422,500	204,149	(83,990)	-	-	-	120,159
Stock option forfeiture (Note 6)	-	-	(13,614)	-	-	-	(13,614)
Deferred share units (Note 6)	-	-	69,977	-	-	-	69,977
Warrant exercise (Note 7)	9,358,333	2,697,106	-	-	(2,231,392)	-	465,714
Warrant grant (Note 7)	-	-	-	-	6,582,405	-	6,582,405
Conversion of debt to shares (Note 9)	2,590,627	358,588	-	-	-	-	358,588
Prospectus financing (Note 5)	28,750,000	9,134,959	-	-	-	-	9,134,959
Cost of issue (Note 5)	-	(854,216)	-	-	-	-	(854,216)
Balance, September 30, 2021	302,061,048	84,104,017	1,430,124	(83,213,501)	4,353,301	(69,704)	6,604,237

BLACK IRON INC.

Consolidated statements of cash flows
(Expressed in U.S. dollars)

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
OPERATING ACTIVITIES		
Net loss for the period	\$ (3,657,784)	\$ (3,446,460)
Adjustment for:		
Share-based compensation (Note 6)	254,574	721,344
Interest income	1,717	3,638
Change in fair value of warrant liability (Note 7)	-	848,065
Change in fair value of conversion option of the convertible debenture (Note 9)	(7,677)	109,595
Accretion (Note 9)	5,468	253,427
Non-cash financing costs (Note 9)	139,792	139,792
Depreciation	467	3,358
Net cash outflow before working capital changes	(3,263,443)	(1,367,241)
Net change in non cash working capital	96,287	50,327
Cash used in operating activities	(3,167,156)	(1,316,914)
FINANCING ACTIVITIES		
Private placement (Note 5 and Note 7)	9,134,959	1,306,546
Share issuance costs (Note 5 and Note 7)	(793,360)	(80,768)
Convertible debenture (Note 9)	-	353,442
Convertible debenture issuance costs (Note 9)	-	(69,115)
Warrant exercise (Note 7)	465,714	737,450
Option exercise (Note 6)	120,159	27,725
Loan payable (Note 10)	15,675	29,987
Cash provided by financing activities	8,943,147	2,305,267
INVESTING ACTIVITIES		
Purchase of equipment	(1,390)	(4,757)
Interest received	1,717	3,638
Cash provided by / (used in) investing activities	327	(1,119)
Effect of exchange rate changes on cash	(283,725)	7,023
CHANGE IN CASH	5,492,593	994,257
CASH, beginning of period	1,665,600	988,844
CASH, end of period	\$ 7,158,193	\$ 1,983,101

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

1. Nature of operations and going concern

Black Iron Inc. (the "Company") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated June 29, 2010. The principal activity of the Company is the exploration and development of ferrous metals in Ukraine, namely the Shymanivske iron ore project located in Kryvyi Rih, Ukraine. The head office of the Company is located at 198 Davenport Road, Toronto, Ontario, M5R 1J2, Canada.

As at September 30, 2021, Black Iron Inc. held 100% of the shares of Black Iron (Cyprus) Limited which in turn holds a 100% interest in Shymanivske Steel LLC.

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

	Country of incorporation	Percentage of equity interest	
		September 30, 2021	December 31, 2020
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

These unaudited condensed consolidated interim financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. For the nine months ended September 30, 2021, the Company incurred a net loss of \$3,657,784 and as at September 30, 2021, reported an accumulated deficit of \$83,213,501 and working capital of \$6,646,152, including \$7,158,193 in cash. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

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

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

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

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

2. Basis of presentation

Statement of compliance

The condensed consolidated interim financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020.

Basis of measurement

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

3. Significant accounting policies

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2020, with the exception of 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.

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

3. Significant accounting policies (continued)

Future accounting standards not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

4. Exploration and evaluation expenditures

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

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Consulting and technical	\$ 421,862	\$ 118,870	\$ 787,161	\$ 370,058
Feasibility study	339,411	-	371,488	-
Surface rights and consulting	48,276	27,039	138,578	71,356
Field office support and 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

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

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

5. Share capital

Authorized

Unlimited number of common shares without par value.

	Number of Common shares	Amount
Balance, December 31, 2019	186,299,159	\$ 68,321,728
Warrant exercise	10,936,193	737,450
Warrant valuation	-	604,262
Option exercise	750,000	27,725
Option valuation	-	10,060
Debenture conversion	25,419,816	1,851,798
Private placement	36,534,420	1,109,525
Cost of issue	-	(99,117)
Balance, December 31, 2020	259,939,588	\$ 72,563,431
Warrant exercise	9,358,333	465,714
Warrant valuation	-	2,231,392
Option exercise	1,422,500	117,909
Option valuation	-	86,240
Debenture conversion	2,590,627	358,588
Prospectus financing	28,750,000	9,134,959
		(854,216)
Balance, September 30, 2021	302,061,048	\$ 84,104,017

On May 8, 2020, the Company closed a non-brokered private placement financing of 36,534,420 units at a price of CAD\$0.05 per unit for gross proceeds of \$1,151,546 (CAD\$1,826,721). Each unit is comprised of one common share and one-third of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.06 for a period of three years from the date of issue (see Note 7). The Company paid cash and non-cash commissions and other expenses of \$80,768 (CAD\$113,602) in relation to this private placement.

On July 21, 2021, the Company closed a short form prospectus offering of 28,750,000 common shares, raising gross proceeds of \$9,134,959 (CAD\$11,500,000) at a price of CAD\$0.40 per common share. The Company paid cash commissions of \$793,360 (CAD\$998,761) and issued 323,418 finder warrants related to this prospectus financing. The finder warrants are exercisable to acquire one common share of the Company at a price of CAD\$0.40 for a period of two years from the date of issue (see Note 7).

During the nine months ended September 30, 2021, the Company issued 2,590,627 shares on conversion for a final portion of the outstanding convertible debenture (5,620,806 shares converted for the nine months ended September 30, 2020) (Note 9).

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

6. Share-based payments reserve

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSU	Weighted average exercise price CAD	Carrying amount of DSU	Total carrying amount
Balance, December 31, 2019	9,907,500	\$ 0.07	\$ 334,996	5,474,481	\$ 0.05	\$ 213,795	\$ 548,791
Granted	9,042,500	0.07	528,095	3,592,409	0.09	266,511	794,606
Expired	(3,395,000)	-	(68,705)	-	-	-	(68,705)
Forfeited	(187,500)	0.08	(5,092)	-	-	-	(5,092)
Exercised	(750,000)	-	(10,060)	-	-	-	(10,060)
Balance, December 31, 2020	14,617,500	\$ 0.07	\$ 779,234	9,066,890	\$ 0.07	\$ 480,306	\$ 1,259,540
Granted	1,100,000	0.07	198,211	206,175	\$ 0.12	69,977	268,188
Exercised	(1,422,500)	0.06	(83,990)	-	-	-	(83,990)
Forfeited	(150,000)	0.09	(13,614)	-	-	-	(13,614)
Balance, September 30, 2021	14,145,000	\$ 0.07	\$ 879,841	9,273,065	\$ 0.12	\$ 550,283	\$ 1,430,124

Option Plan

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

During the three and nine months ended September 30, 2021, the Company granted no stock options and 1,100,000 stock options, respectively (2,782,500 and 9,042,500 granted for the three and nine months ended September 30, 2020) and options vested with a total value of \$2,915 and \$183,041, respectively (\$82,273 and \$464,166 for the three and nine months ended September 30, 2020).

300,000 of the options granted by the Company during the nine months ended September 30, 2021 vest in eight equal quarterly instalments commencing on the date of grant and 450,000 options granted by the Company during the nine months ended September 30, 2021 with one third vesting once the Company's share price is 50% higher than the exercise price, the second third vesting once the Company's share price is 100% higher than the exercise price and the final third vesting once the Company's share price is 150% higher than the exercise price (2020 – 150,000 options vest in eight equal quarterly installments). The first tranche was met when the Company's quoted market price exceeded the exercise price of the options in May 2021. 350,000 of the options granted by the Company during the nine months ended September 30, 2021 vested immediately.

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

6. Share-based payments reserve (continued)

At September 30, 2021, outstanding options to acquire common shares of the Company were as follows:

Expiry date	Options exercise price (CAD\$)	Options outstanding (#)	Options exercisable (#)	Grant date estimated fair value (\$)	Black-Scholes Inputs			
					Expected Volatility	Expected Life (yrs)	Expected dividend yield	Risk-free interest rate
16-Feb-22	0.12	2,125,000	2,125,000	141,491	126%	5	0%	0.79%
31-Oct-23	0.08	300,000	-	14,987	135%	5	0%	2.42%
5-Dec-23	0.06	150,000	150,000	4,806	139%	5	0%	2.21%
9-Jan-24	0.05	1,950,000	1,950,000	52,960	114%	5	0%	1.82%
4-Mar-24	0.07	200,000	200,000	7,648	117%	5	0%	1.46%
18-Oct-24	0.08	250,000	250,000	9,051	109%	5	0%	1.56%
11-Mar-25	0.07	150,000	131,250	4,957	138%	5	0%	0.55%
15-Jun-25	0.10	5,337,500	5,337,500	322,493	133%	5	0%	0.36%
7-Aug-25	0.15	2,582,500	1,664,063	120,988	135%	5	0%	0.32%
1-Mar-26	0.42	450,000	-	108,048	120%	5	0%	0.81%
1-Mar-26	0.38	300,000	-	71,313	120%	5	0%	0.81%
18-May-26	0.48	350,000	350,000	108,741	118%	5	0%	0.95%
		14,145,000	12,157,813	\$ 967,483				

DSU Plan

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

The DSUs are deferred and will be redeemed in the form of one common share for each DSU held on the date the participant ceases to be an eligible director. During the three and nine months ended September 30, 2021, the Company granted 48,750 and 206,175 DSUs with a fair value of \$9,681 and \$71,533, respectively, based on the quoted market price of the Company's common shares at the date of grant (no DSUs and 3,307,083 DSUs with a grant date fair value of \$nil and \$239,247 during the three and nine months ended September 30, 2020, respectively). As the DSUs will be settled in shares, the value of the DSUs is recorded in share-based payments reserve at the time of issue.

BLACK IRON INC.

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

For the three and nine months ended September 30, 2021 and 2020

7. Warrants and warrant liability

At September 30, 2021, outstanding warrants to acquire common shares of the Company were as follows:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price (CAD)	Estimated fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
55,000	55,000	29-Mar-19	29-Mar-22	\$ 0.09	\$ 1,556	\$0.06	122%	3	0%	1.45%
13,081,395	13,081,395	27-Sep-19	27-Sep-23	\$ 0.11	\$ 569,100	\$0.08	116%	4	0%	1.47%
3,384,991	3,384,991	24-Apr-20	24-Apr-24	\$ 0.08	\$ 95,813	\$0.06	117%	4	0%	0.38%
2,678,141	2,678,141	8-May-20	8-May-23	\$ 0.06	\$ 194,325	\$0.08	110%	3	0%	0.26%
30,000,000	-	22-Dec-20	22-Dec-25	\$ 0.31	\$ 6,883,852	\$0.35	129%	5	0%	0.20%
323,418	323,418	21-Jul-21	21-Jul-23	\$ 0.40	\$ 60,856	\$0.43	105%	2	0%	0.46%
49,522,945	19,522,945				\$ 7,805,502					

Based on management's assessment, the vesting conditions for the 30,000,000 warrants granted on December 22, 2020 and included in the table above have not yet been met. As such, management has estimated the fair value of these warrants based on information available on the grant date. No value was recorded in the condensed consolidated interim financial statements for these warrants at September 30, 2021, as vesting is not foreseeable or expected as at the date of these condensed consolidated interim financial statements. See also Note 11.

Warrant liability

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

Warrant liability transactions during the periods presented were as follows:

	Number of Warrants	Fair value (\$)
Balance, December 31, 2019	26,357,590	1,227,878
Granted	15,563,131	292,834
Exercised	(10,911,195)	(603,530)
Expired	(2,531,666)	(53,194)
Change in fair value during the year	-	5,657,561
Balance, December 31, 2020	28,477,860	6,521,549
Extinguishment	(28,477,860)	(6,521,549)
Balance, September 30, 2021	-	-

On January 1, 2021, the Company changed its functional currency for its Canadian entity from US dollars to Canadian dollars. As a result of this change, the Company's warrant liability was extinguished and reclassified as equity. The value of the warrant liability as at September 30, 2020 was \$nil. See Note 3.

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7. Warrants and warrant liability

Warrants

Warrant transactions during the periods presented were as follows:

	Number of Warrants	Fair value (\$)
Balance, December 31, 2019	105,000	3,020
Exercised	(25,000)	(732)
Granted	30,000,000	-
Balance, December 31, 2020	30,080,000	2,288
Exercised	(9,358,333)	(2,231,392)
Granted	28,801,278	6,582,405
Balance, September 30, 2021	49,522,945	4,353,301

8. Related party transactions

Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 6) 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.

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9. Convertible debenture

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

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

The Convertible Security was secured by all of the assets of the Company and bears interest at 10% per annum and matures on September 26, 2021. The Convertible Security included covenants typical and customary for secured convertible securities of this nature.

The Company issued to Lind 13,081,395 warrants exercisable for a term of 48 months at an exercise price of CAD\$0.11 per share, valued at \$569,100 on the date of issue (see Note 7). The warrants were initially recorded as a warrant liability. When the Company changed the functional currency of its Canadian entity from US dollars to Canadian dollars, the original warrant liability was extinguished and the warrants were subsequently issued as equity warrants on January 1, 2021. On issuance at January 1, 2021, the warrants were valued at \$2,924,601.

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

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

The Company issued Lind 3,384,991 warrants related to the Second Tranche. These warrants are exercisable for a term of 48 months at an exercise price of CAD\$0.08 per share, valued at \$95,813 on the date of issue (see Note 7). The warrants were initially recorded as a warrant liability. When the Company changed the functional currency of its Canadian entity from US dollars to Canadian dollars, the original warrant liability was extinguished and the warrants were subsequently issued as equity warrants on January 1, 2021. On issuance at January 1, 2021, the warrants were valued at \$783,423.

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

The Second Tranche was secured by all of the assets of the Company and bears interest at 10% per annum and matures on April 23, 2022. The Second Tranche included covenants typical and customary for secured convertible securities of this nature.

The Convertible Security and the Second Tranche were accounted for as a compound financial instrument with a liability component and conversion option component classified as two separate liabilities (Note 7).

The Convertible Security and the Second Tranche were fully converted to equity during the nine months ended September 30, 2021. During the nine months ended September 30, 2021, the Company issued 2,590,627 shares on conversion of the outstanding convertible debenture (Note 5), converting CAD\$456,711 (\$358,588) of the face value of the convertible security to shares.

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9. Convertible debenture (continued)

The fair value of the conversion features was estimated using a Binomial option pricing model using the following assumptions: expected dividend yield of 0%, weighted average expected volatility of 109% based on historical volatility of the Company's common shares, risk-free rate of 0.15%, and weighted average expected life of 0.75 years.

The fair value of the liability components was estimated using a weighted average discount rate of 157% based on the estimated discount rate of comparable debt. The discount on the liability components was being accreted over the term of the Convertible Security and the Second Tranche, utilizing effective interest rate method at a 157% weighted average discount rate. For the nine months ended September 30, 2021, accretion of the discount totaled \$5,404 (\$150,525 for nine months ended September 30, 2020).

On bifurcation of the various components of the compound financial instrument, it was determined that a loss arose on the transaction in the amount of \$399,000. The Company has deferred this amount as prepaid and other asset and realized the loss over the term of the Convertible Security. As at September 30, 2021, the full balance of this prepaid and other asset was expensed.

Liability component as at December 31, 2019	\$	172,762
Issuance		11,267
Accretion		380,554
Conversion		(482,806)
Effect of foreign exchange currency difference		8,410
Liability component as at December 31, 2020		90,187
Accretion		5,468
Conversion		(95,591)
Effect of foreign exchange currency difference		(64)
Liability component as at September 30, 2021	\$	-

Liability component as at December 31, 2019	\$	1,318,525
Issuance		177,247
Change in fair value		62,777
Conversion		(1,368,992)
Effect of foreign exchange currency difference		81,028
Liability component as at December 31, 2020		270,585
Change in fair value		(7,677)
Conversion		(262,997)
Effect of foreign exchange currency difference		89
Conversion option as at September 30, 2021	\$	-

10. Loan payable

In April 2020, the Company received a CAD\$40,000 (\$31,809) Canadian Emergency Business Account ("CEBA") loan. In January 2021, the Company received an additional CAD\$20,000 (\$15,905). The CEBA loan is from the Government of Canada and is interest free through December 31, 2022, after which any unpaid balance is converted to a five-year interest-bearing term loan. Repaying the loan balance in full on or before December 31, 2022 will result in loan forgiveness of up to CAD\$20,000. The CAD\$40,000 (\$31,809) unforgiveable portion of the loan was repaid subsequent to September 20, 2021.

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11. Commitments and contingencies

Legal

A former officer of the Company has initiated a legal action seeking approximately CAD\$1.1 million for a change of control payment in connection with Metinvest's investment in the Company's subsidiary in 2014. The Company does not believe the change of control payment is due to the former officer and the Company intends to defend the matter vigorously as it believes the former officer's claim is without merit.

Environmental

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

Contracts

See Note 8.

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

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.