



198 Davenport Road,
Toronto, Ontario M5R 1J2

NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “**Meeting**”) of the common shareholders of Black Iron Inc. (the “**Company**”) will be held on Thursday June 30, 2022 at 12:00 p.m. (Toronto time) at 198 Davenport Road, Toronto, Ontario M5R 1J2 for the following purposes:

1. to receive and consider the audited financial statements of the Company as at and for the fiscal year ended December 31, 2021, together with the report of the auditors thereon, and the financial statements of the Company as at and for the three-month period ended March 31, 2022 (the “**Financial Statements**”);
2. to elect directors of the Company for the ensuing year;
3. to appoint McGovern Hurley LLP as auditor of the Company and authorize the directors to fix their remuneration; and
4. to transact such further or other business as may properly come before the Meeting or any postponement(s) or adjournment(s) thereof.

AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPEAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE STRONGLY ENCOURAGE ALL SHAREHOLDERS TO NOT ATTEND THE MEETING IN PERSON AND TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.

Shareholders and/or their appointees may participate in the Meeting by way of conference call however votes cannot be cast on the conference call. Please register at <https://us02web.zoom.us/meeting/register/tZEtd2vrz4qE9SBpPCCrNyr78ZsDlaFuAQ3> to receive conference call details.

This notice is accompanied by a form of proxy, a management information circular (the “**Circular**”), and the Financial Statements and related management’s discussion and analysis of financial condition (together, the “**Meeting Materials**”).

Notice-and-Access

Notice is also hereby given that the Company has decided to use the notice-and-access method of delivery (“**Notice-and-Access**”) of Meeting Materials for the Meeting. Notice-and-Access allows the Company to deliver the Meeting Materials over the internet in accordance with the Notice-and-Access rules adopted by the Ontario Securities Commission under *National Instrument 54-101-Communication with Beneficial Owners of Securities of a Reporting Issuer*. Under the Notice-and-Access system, Shareholders still receive a proxy or voting instruction form (as applicable) enabling them to vote at the Meeting. However, instead of a paper copy of the Meeting Materials, Shareholders receive this notification with information on how they may access such materials electronically. The use of this alternative means of delivery is more

environmentally friendly, as it will help reduce paper use and will also reduce the cost of printing and mailing materials to Shareholders. Shareholders are reminded to view the Meeting Materials prior to voting.

WEBSITES WHERE MEETING MATERIALS ARE POSTED

Materials can be viewed online under the Company's profile at www.sedar.com, at <https://docs.tsxtrust.com/2315>. The Company will not use procedures known as "stratification" in relation to the use of Notice-and-Access provisions. Stratification occurs when a reporting issuer using Notice-and-Access provides a paper copy of the Management Information Circular to some Shareholders with this notice package.

HOW TO OBTAIN PAPER COPIES OF THE MEETING MATERIALS

Registered holders or beneficial owners may request paper copies of the Meeting Materials be sent to them by postal delivery at no cost to them. Requests may be made up to one year from the date the Meeting Materials are posted on the Company's website. In order to receive a paper copy of the Meeting Materials or if you have questions concerning Notice-and-Access, please call toll free at 1-866-600-5869. Requests should be received by June 21, 2022 in order to receive the Meeting Materials in advance of the meeting date.

You may vote your shares by proxy if you are unable to attend the meeting. Please review the enclosed Circular and date, sign and return the enclosed form of proxy to the Corporation's transfer agent by 12:00 p.m. EST on June 28, 2022.

The directors of the Corporation have fixed the close of business on May 20, 2022 as the record date, being the date for the determination of the registered holders entitled to notice and to vote at the Meeting and any adjournments(s) thereof.

The board of directors of the Company has by resolution fixed 12:00 p.m. (Toronto time) on Tuesday June 28, 2021 or 48 hours (excluding Saturdays, Sundays and holidays) before any postponement(s) or adjournment(s) of the Meeting as the time by which proxies to be used or acted upon at the Meeting or any postponement(s) or adjournment(s) thereof shall be deposited with the Company's transfer agent, in accordance with the instructions set forth in the accompanying management information circular and the form of proxy.

DATED at Toronto, Ontario as of the 24th day of May, 2022

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "Matthew Simpson"

Chief Executive Officer

BLACK IRON INC.

**MANAGEMENT INFORMATION CIRCULAR
MAY 24, 2022**

INFORMATION REGARDING CONDUCT OF MEETING

Solicitation of Proxies

This management information circular (“Circular”) is furnished in connection with the solicitation by the management of Black Iron Inc. (“Black Iron” or the “Company”) of proxies to be used at the annual meeting (the “Meeting”) of holders of common shares (“Shareholders”) of the Company to be held at 12:00 a.m. (Toronto time) on June 30, 2022 and at any postponement(s) or adjournment(s) thereof for the purposes set forth in the accompanying notice of meeting (“Notice of Meeting”). References in this Circular to the “Meeting” include references to any postponement(s) or adjournment(s) thereof. It is expected that the solicitation will be primarily by mail but proxies may also be solicited through other means by employees, consultants and agents of the Company. The Company will bear the costs of solicitation.

AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPEAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE STRONGLY ENCOURAGE ALL SHAREHOLDERS TO NOT ATTEND THE MEETING IN PERSON AND TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.

Shareholders and/or their appointees may participate in the Meeting by way of conference call however votes cannot be cast on the conference call. Please register at <https://us02web.zoom.us/meeting/register/tZEtd2vrz4qE9SBpPCCrNyr78ZsDlaFuAQ3> to receive conference call details.

The board of directors of the Company (the “Board”) has by resolution fixed the close of business on May 20, 2022 as the record date for the meeting (the “Record Date”) being the date for the determination of the registered Shareholders entitled to notice of and to vote at the Meeting and any postponement(s) or adjournment(s) thereof. The Board has by resolution fixed 12:00 a.m. (Toronto time) on June 28, 2022 or 48 hours (excluding Saturdays, Sundays and holidays) before any postponement(s) or adjournment(s) of the Meeting, as the time by which proxies to be used or acted upon at the Meeting or any postponement(s) or adjournment(s) thereof shall be deposited with the Company’s transfer agent.

The Company shall make a list of all persons who are registered Shareholders on the Record Date and the number of common shares of the Company (the “Common Shares”) registered in the name of each person on that date. Each Shareholder is entitled to one vote on each matter to be acted on at the Meeting for each Common Share registered in his or her name as it appears on the list.

Unless otherwise stated, the information contained in this Circular is as of the date hereof. This Circular contains references to United States dollars and Canadian dollars. All dollar amount references, unless otherwise indicated, are expressed in Canadian dollars and United States dollars are referred to as “United States dollars” or “US\$”.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Company. **A Shareholder desiring to appoint some other person or Company to represent him or her at the Meeting may do so** by inserting such person's name in the blank space provided in that form of proxy or

by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the transfer agent of the Company indicated on the enclosed envelope not later than the times set out above.

In addition to revocation in any other manner permitted by law, a Shareholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Shareholder or by an attorney authorized in writing at 198 Davenport Road, Toronto, Ontario M5R 1J2 at any time up to and including the last business day preceding the day of the Meeting.

Voting of Proxies

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed form of proxy **will be voted for each of the matters to be voted on by Shareholders as described in this Circular or withheld from voting or voted against if so indicated on the form of proxy and in accordance with the instructions of the Shareholder on any ballot that may be called for, and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. In the absence of such election, the proxy will confer discretionary authority to be voted in favour of each matter set out in the form of proxy for which no choice has been specified.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. At the time of printing this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgement of the named proxies.

Non-Registered Holders

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered Shareholder (a "**Non-Registered Holder**") are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the Common Shares such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans (an "**Intermediary**"); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Company will distribute copies of the Notice of Meeting, form of proxy and this Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders. Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders.

These materials are being sent to both registered Shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf.

By choosing to send these materials to you directly, the Company (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the “**Voting Instructions Form**”) which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the Voting Instructions Form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form and a form of legal proxy will be sent to the Non-Registered Holder. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Adoption of Notice and Access

In accordance with the notice and access rules adopted by the Ontario Securities Commission under *NI 54-101*, the Company has sent its proxy-related materials directly to registered holders and NOBOs using notice-and-access. Therefore, although Shareholders still receive a Form of Proxy or VIF in paper copy, this Circular, annual consolidated financial statements and related MD&A are not physically delivered. Instead, Shareholders may access these materials on the Corporation’s website at www.blackiron.com, at <https://docs.tsxtrust.com/2315> or under the Corporation’s profile page on SEDAR at www.sedar.com.

Registered Shareholders or Non-Registered Shareholders may request paper copies of the Meeting materials be sent to them by postal delivery at no cost to them. Requests may be made up to one year from the date the Meeting materials are posted on the Corporation’s website. In order to receive a paper copy of the Meeting materials or if you have questions concerning Notice-and-Access, please call toll free at 1-866-600-5869. Requests for paper materials should be received by June 21, 2022 in order to receive the Meeting materials in advance of the Meeting.

Voting Securities and Principal Holder Thereof

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the Record Date, the Company has 303,792,298 Common Shares issued and outstanding.

To the knowledge of the directors and officers of the Company, as of the date hereof, no person beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the voting rights attached to the Common Shares other than RAB Capital who have publicly disclosed that they hold 45,408,500 Common Shares, which represents approximately 14.95% of the outstanding Common Shares as of the date hereof.

Interest of Persons in Matters to be Acted Upon

No director or executive officer of the Company, nor any person who had held such a position since the beginning of the last completed financial year end of the Company, no Nominee (as defined below) nor any respective associates or affiliates of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at this Meeting other than the election of directors.

EXECUTIVE COMPENSATION DISCLOSURE

Compensation Discussion and Analysis

Objectives

The overall objectives of the Company's compensation program include: (a) attracting and retaining talented executive officers who can assist with the Company's mineral exploration and mine development strategy; (b) aligning the interests of those executive officers with those of the Company; and (c) linking individual executive officer compensation to the performance of the Company. The Company's compensation program is designed to compensate executive officers for the performance of their duties and to reward them for the performance of the Company.

Elements of Compensation

The elements of compensation that may be paid to the Named Executive Officers (as such term is defined in National Instrument 51-102F6 — *Statement of Executive Compensation*) on a go-forward basis are: (a) base salary and bonus; (b) option-based awards; (c) perquisites and personal benefits; and (d) termination and change of control benefits.

Base salary is a fixed element of compensation that will be payable to each Named Executive Officer for performing his or her position's specific duties. The amount of base salary for a Named Executive Officer is determined through negotiation of an agreement with each Named Executive Officer and is determined on an individual basis by the need to attract and retain talented individuals. While base salary is intended to fit into the Company's overall compensation objectives by serving to attract and retain talented executive officers, the size of the Company and the nature and stage of its business will also impact the level of base salary.

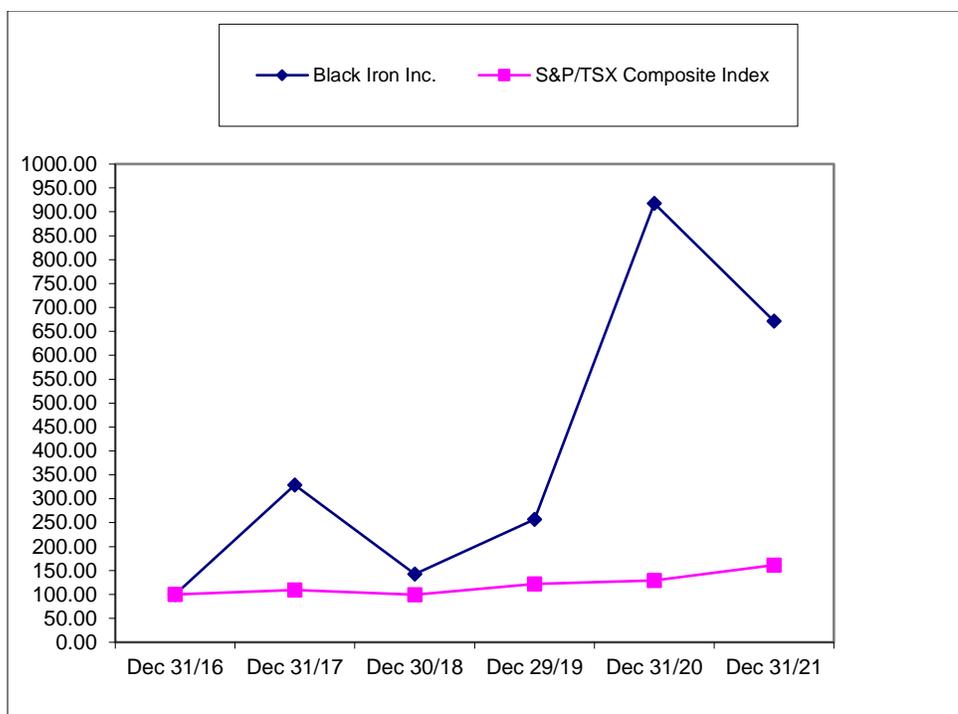
Bonuses are short-term performance based financial incentives that will be determined through a formal or informal compensation review process. As the Company grows and develops its projects, the Company may consider formalizing an annual incentive award program that will clearly articulate performance objectives and specific measurable goals that would be linked to individual performance criteria set out for the Named Executive Officers and other executive officers.

Option-based awards are a variable element of compensation that will be used to reward each Named Executive Officer for individual performance and/or the performance of the Company. Option-based awards are intended to fit into the Company's overall compensation objectives by aligning the interests of the Named Executive Officers with those of the Company, and linking individual Named Executive Officer compensation to the performance of the Company. The Joint Committee (as defined herein) will be responsible for setting and amending any equity incentive plan under which an option-based award is granted. This will be done on a discretionary basis.

The Company may, depending on the circumstances, provide for termination and, in certain instances, change of control benefits under the provisions of the agreements that will be negotiated with the Named Executive Officers. See "Termination and Change of Control Benefits".

Performance Graph

The following graph compares the quarterly percentage change in the cumulative total Shareholder return for \$100 invested in Common Shares against the cumulative total shareholder return of the S&P/TSX Composite Index for the most recently completed financial years of the Company, assuming the reinvestment of all dividends.



During this time period, executives of the Company delivered on several major milestones to create Shareholder value including the completion of a \$11.5 million financing of the Company in July 2021, advancing an updated feasibility study for the Shymanivske Iron Ore Project, signing of a US\$100 million royalty term sheet, initiation and advancement of a highly competitive offtake process that ultimately resulted in the selection of Cargill, Incorporation for a US\$75 million prepay offtake agreement as announced in May 2021, US\$65 million expressions of interest from three engineering, procurement and construction firms, out of which two have been converted to heads of agreements and obtaining expressions of interest from banks and export credit agencies for US\$260 to \$300 million of senior debt. In addition, executive compensation during this period is reflective of the dedication and loyalty of the executives to persevere despite challenging political dynamics and the compensation levels required to attract the calibre of people with the relevant expertise to build an iron ore mine in Ukraine.

Summary Compensation Table

The following table summarizes the compensation paid during the three financial years ended December 31, 2021, 2020 and 2019 in respect of the individuals who were carrying out the role of the Chief Executive Officer (“**CEO**”) of the Company, the Chief Financial Officer of the Company (“**CFO**”) and each of the three most highly compensated executive officers other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was individually more than \$150,000 for that financial year (the “**Named Executive Officers**”).

Name and position with the Company	Year	Salary (US\$)	Share-based Awards (US\$)	Option-based awards (US\$) ⁽²⁾	Non-equity incentive plan compensation (\$)		Pension value (US\$)	All other compensation (US\$)	Total compensation (US\$)
					Annual incentive plans	Long-term incentive plans			
Matthew Simpson (Chief Executive Officer)	2021	279,218	N/A	Nil	Nil	Nil	Nil	500,000	779,218
	2020	273,275	N/A	230,665	Nil	Nil	Nil	Nil	503,939
	2019	263,980	N/A	20,369	Nil	Nil	Nil	Nil	284,349
Paul Bozoki (Chief Financial Officer)	2021	79,777	N/A	Nil	Nil	Nil	Nil	150,000	229,777
	2020	74,824	N/A	57,222	Nil	Nil	Nil	Nil	132,047
	2019	75,191	N/A	8,147	Nil	Nil	Nil	Nil	83,338
Les Kwasik (Chief Operating Officer) ⁽³⁾	2021	70,500	N/A	Nil	Nil	Nil	Nil	150,000	220,500
	2020	90,000	N/A	77,438	Nil	Nil	Nil	Nil	167,438
	2019	60,000	N/A	Nil	Nil	Nil	Nil	Nil	60,000
Stan Bharti (Executive Officer)	2021	239,330	N/A	Nil	Nil	Nil	Nil	Nil	239,330
	2020	224,585	N/A	Nil	Nil	Nil	Nil	Nil	224,585
	2019	225,297 ⁽¹⁾	N/A	Nil	Nil	Nil	Nil	Nil	225,297
Stefan Gueorguiev (Project Manager) ⁽³⁾	2021	167,368	N/A	Nil	Nil	Nil	Nil	Nil	167,368
	2020	Nil	N/A	Nil	Nil	Nil	Nil	Nil	Nil
	2019	Nil	N/A	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Amount paid to Forbes & Manhattan (as defined below) pursuant to the agreement between Forbes & Manhattan and the Company. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan. See "Forbes & Manhattan Agreement" below.
- (2) The dollar value of option awards estimated using the Black-Scholes-Merton valuation model on the date of grant under the following weighted average assumptions: expected dividend yield — 0%; expected volatility — 135%; risk-free interest rate — 0.32%; and expected life — 2.72 years.
- (3) Mr. Kwasik retired on May 18, 2021 and was replaced by Mr. Gueorguiev

Compensation Review Process

The Company has established the Joint Committee as a committee of the Board. The Joint Committee is responsible for, among other things, reviewing, approving and recommending to the Board, base salary, bonus, options and other benefits, of the Named Executive Officers and other executive officers of the Company in addition to reviewing the Company's director compensation practices. See "Corporate Governance Practices".

Incentive Plan Awards

Stock Option Plan

The Company's stock option plan (the "**Stock Option Plan**") was approved by the Company's directors on March 29, 2011, and became effective upon completion of the IPO (as defined herein). The Stock Option Plan was amended and restated on March 12, 2015, to among other things, provide that only executive directors, senior officers, consultants and employees of the Company will be eligible to participate in the Stock Option Plan. Non-executive independent directors are not be able to participate in the Stock Option Plan of the Company.

The Stock Option Plan is considered an “evergreen” plan since the Common Shares covered by the options which have been exercised shall be available for subsequent grants under the Stock Option Plan and the number of options available to grant increases as the number of issued and outstanding Common Shares increases. As a result, should the Company issue additional Common Shares in future, the number of Common Shares issuable under the Stock Option Plan will increase accordingly. The current Stock Option Plan allows for the grant of incentive stock options to the Company’s employees, executive directors, seniors officers and consultants.

The Toronto Stock Exchange (the “**TSX**”) requires that securities based compensation arrangements be approved by shareholders every three years from the date of implementation. The Stock Option Plan was last approved by Shareholders at the Shareholders meeting held on June 24, 2021. The following is a summary of the terms of the Stock Option Plan, which is qualified in its entirety by the provisions of the Stock Option Plan.

Pursuant to the Stock Option Plan non-executive independent directors, are not eligible to participate in the Stock Option Plan. The aggregate number of Common Shares issuable pursuant to the Stock Option Plan and any other share compensation arrangement to all participants shall not exceed 10% of the issued and outstanding Common Shares at the time of the grant. The aggregate number of Common Shares issuable under the Stock Option Plan and any other share compensation arrangement to insiders of the Company shall not at any time exceed 10% of the Common Shares then outstanding. The aggregate number of Common Shares issued upon exercise of the options granted under the Stock Option Plan and any other share compensation arrangement to insiders of the Company within a one-year period shall not exceed 10% of the Common Shares then outstanding.

Under the Stock Option Plan, vesting provisions may be as established by the Board. Options granted under the Stock Option Plan are non-assignable and will have an exercise price determined by the Board at the time the option is granted, but in any event shall not be less than the closing price of the Common Shares on the day immediately preceding the date of the grant of the option. The options will be exercisable for a period determined by the Board at the time of granting the options provided, however, all options must be exercisable during a period not extending beyond five years from the date of the option grant.

If an optionee ceases to be an employee, executive director, senior officer or consultant of the Company, other than as a result of termination with cause, any options held by such optionee at the effective date thereof shall be exercisable only to the extent that the optionee is entitled to exercise the options and only for 90 days thereafter or prior to the expiration of the option period in respect thereof, whichever is sooner. In the case of an optionee being dismissed from employment or service for cause, the options shall immediately terminate and shall no longer be exercisable as of the date of such dismissal. In the event of death of an optionee, options are exercisable by the estate until the earlier of, twelve months following the date of death or the expiry date of the option.

In the event that the expiry of an option falls within, or within two days of, a trading blackout period imposed by the Company (the “**Blackout Period**”), the expiry date of such option period shall be automatically extended to the 10th business day following the end of the Blackout Period.

Subject to regulatory approval, amendments to the Stock Option Plan do not require shareholder approval, including, without limitation, for: (i) amendments of a housekeeping nature; (ii) the addition of or a change to vesting provisions of a security or the Stock Option Plan; (iii) a change to the termination provisions of a security or the Stock Option Plan which does not entail an extension beyond the original expiry date; and (iv) the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Stock Option Plan reserve.

The Board may, subject to receipt of requisite shareholder and regulatory approval, make the following amendments to the Stock Option Plan: (i) any amendment to the number of securities issuable under the Stock Option Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum

number of securities to a fixed maximum percentage; (ii) any change to the definition of “Participants” which would have the potential of narrowing or broadening or increasing insider participation; (iii) amendments to increase the maximum number of Common Shares which may be issued under the Stock Option Plan or amendments so as to increase the insider participation limits; (iv) amendments to increase the ability of the Board to amend the Stock Option Plan without shareholder approval; (v) amendments to the definition of “Eligible Person”; (vi) amendments relating to the transferability of options other than as permitted under the Stock Option Plan; (vii) amendments to the exercise price of any options issued under the Stock Option Plan where such amendment reduces the exercise price of such option (for this purpose, a cancellation or termination of an option or a Participant prior to its expiry for the purpose of re-issuing options to the same participant with a lower exercise price shall be treated as an amendment to reduce the exercise price of an option); (viii) amendments to the term of any option issued under the Stock Option Plan; (ix) the addition of any form of financial assistance; (x) any amendment to a financial assistance provision which is more favourable to Participants; (xi) any addition of a cashless exercise feature, payable in cash or securities, which does not provide for a full deduction in the number of underlying securities from the Stock Option Plan; (xii) the addition of deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Company; (xiii) any amendments to the amendment provisions of the Stock Option Plan; and (xiv) any other amendments that may lead to significant or unreasonable dilution in the Company’s outstanding securities or may provide additional benefits to Participants, especially to insiders of the Company, at the expense of the Company and its existing shareholders.

As of the Record Date, the Company had 303,792,298 Common Shares issued and outstanding (303,469,298 Common Shares issued and outstanding as of December 31, 2021) and accordingly, the maximum number of options that would be granted under the Stock Option Plan as at the Record Date is 30,379,229 options, being 10% of the current issued and outstanding Common Shares as at the Record Date (30,346,929 options as at December 31, 2021) before taking into account any additional DSU grants under the DSU Plan which would further reduce the unallocated entitlements.

As at December 31, 2021, a total of 13,080,500 stock options and 9,326,054 DSUs (and as at the Record Date, a total of 13,257,500 stock options and 9,447,588 DSUs) were issued and outstanding which represents (i) approximately 7.4% of the issued and outstanding Common Shares of the Company as at December 31, 2021, leaving approximately 7,642,467 stock options (representing 2.6% of the issued and outstanding Common Shares on such date) available for future grants under the Stock Option Plan, and (ii) approximately 7.5% of the issued and outstanding Common Shares of the Company as at the Record Date, leaving approximately 7,674,767 stock options (representing 0.9% of the issued and outstanding Common Shares on such date) available for future grants under the Stock Option Plan, before taking into account any additional DSU grants under the DSU Plan which would further reduce the unallocated entitlements.

The Company’s annual Burn Rate as described in Section 613(d) of the TSX Company Manual under the Stock Option Plan was 1.8% in fiscal year 2019, 4% in fiscal year 2020 and 0.6% in fiscal year 2021. The Burn Rate is calculated by dividing the number of stock options granted under the Stock Option Plan during the relevant fiscal year by the weighted number of common shares outstanding for the applicable fiscal year, as described in Section 613(p) of the TSX Company Manual.

The following table provides information regarding the incentive plan awards for each Named Executive Officer outstanding as of December 31, 2021.

Outstanding Share Awards and Option Awards	Option Awards				Share Awards	
	Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)
Matthew Simpson (Chief Executive Officer)	600,000 750,000 3,200,000 1,000,000	0.12 0.05 0.095 0.145	Feb 16, 2022 Jan 9, 2024 June 15, 2025 Aug 7, 2025	1,304,250	NIL	NIL
Paul Bozoki (Chief Financial Officer)	300,000 300,000 700,000 400,000	0.12 0.05 0.095 0.145	Feb 16, 2022 Jan 9, 2024 June 15, 2025 Aug 7, 2025	399,500	NIL	NIL
Les Kwasik (Chief Operating Officer) ⁽³⁾	500,000	0.145	Aug 7, 2025	117,500	NIL	NIL
Stan Bharti (Executive Officer) ⁽²⁾	500,000 400,000	0.12 0.145	Feb 16, 2022 Aug 7, 2025	211,500	NIL	NIL
Stefan Gueorguiev (Project Manager) ⁽³⁾	300,000 100,000	\$0.415 \$0.12	March 1, 2026 March 9, 2027	11,500	NIL	NIL
TOTALS	9,050,000			2,044,250	NIL	NIL

Notes:

- (1) Based on the closing market price of the Common Shares of \$0.235 on December 31, 2021.
(2) Mr. Bharti is the Executive Chairman of Forbes & Manhattan.
(3) Mr. Kwasik retired on May 18, 2021 and was replaced by Mr. Gueorguiev.

Value on Pay-Out or Vesting of Incentive Plan Awards

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the year ended December 31, 2021.

Name	Option awards – Value during the year on vesting (\$) ⁽¹⁾	Share awards – Value during the year on vesting (\$)	Non-equity incentive plan compensation – Pay-out during the year (\$)
Matthew Simpson (Chief Executive Officer)	745,750	Nil	N/A
Paul Bozoki (Chief Financial Officer)	224,000	Nil	N/A
Stefan Gueorguiev (Project Manager)	11,500	Nil	N/A

Notes:

- (1) Based on the closing market price of the Common Shares of \$0.235 on December 31, 2021.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below sets out the outstanding stock options under the Stock Option Plan and the DSUs under the DSU Plan, being the Company's only compensation plans under which Common Shares are authorized for issuance, as of December 31, 2021.

		Number of securities to be issued upon exercise of outstanding options and DSUs	Weighted-average exercise price of outstanding options and DSUs	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category		(a)	(b)	(c)
Equity compensation plans approved by security holders	Stock Options	13,080,500	\$0.12	7,642,467
	DSUs	9,326,054	\$0.14	7,642,467
Equity compensation plans not approved by security holders		NIL	NIL	NIL
TOTAL		22,406,554		7,642,467

Notes:

- (1) The number of stock options remaining available for issuance if no further DSUs are issued.
(2) The number of DSUs remaining available for issuance if no further DSUs are issued.

Termination and Change of Control Benefits

The following describes the respective consulting agreements entered into by the Company and the Named Executive Officers in place as of the date hereof.

Matthew Simpson (Chief Executive Officer)

Iron Strike Inc. entered into an agreement with the Company on September 7, 2010, as amended on January 1, 2014, for the services of Mr. Simpson as the President and Chief Executive Officer of the Company. Pursuant to the agreement, Mr. Simpson receives a base fee of \$29,166.67 per month. Mr. Simpson's agreement provides for a severance payment of 12 months' base fees on termination by the Company without cause. The agreement may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any fees. Just cause is defined to include, but is not limited to: (i) dishonesty or fraud; (ii) theft; (iii) breach of fiduciary duties; (iv) being guilty of bribery or attempted bribery; or (v) gross mismanagement. Mr. Simpson may terminate the agreement on three months' written notice and shall forthwith resign any position then held with the Company and the Company shall have the right to elect to immediately terminate the agreement on payment of three months' base fees. Mr. Simpson resigned as the President of the Company on February 7, 2017 but remains in his position as the CEO of the Company.

In the event that there is a change in control of the Company, either Mr. Simpson or the Company shall have one year from the date of such change in control to elect to have Mr. Simpson's appointment terminated. In the event that such an election is made, the Company shall, within 30 days of such election, make a lump sum termination payment to Mr. Simpson that is equivalent to 36 months' base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Simpson in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2021, Mr. Simpson would be entitled to \$1,050,000 upon a change of control. Following a change in control, all

options granted to Mr. Simpson shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Simpson, but not yet vested, shall vest immediately.

Paul Bozoki (Chief Financial Officer)

Pannonia Capital Inc. entered into an agreement with the Company on October 12, 2010, as amended on January 1, 2014, for the services of Mr. Bozoki as Chief Financial Officer. Pursuant to the agreement, Mr. Bozoki receives a base fee of \$8,333.33 per month. Mr. Bozoki's agreement provides for a severance payment of 12 months' base fees on termination by the Company without cause. The agreement may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any fees. Just cause is defined to include, but is not limited to: (i) dishonesty or fraud; (ii) theft; (iii) breach of fiduciary duties; (iv) being guilty of bribery or attempted bribery; or (v) gross mismanagement.

In the event that there is a change in control of the Company, either Mr. Bozoki or the Company shall have one year from the date of such change in control to elect to have Mr. Bozoki's appointment terminated. In the event that such an election is made, the Company shall, within 30 days of such election, make a lump sum termination payment to Mr. Bozoki that is equivalent to 36 months' base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Bozoki in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2021, Mr. Bozoki would be entitled to \$300,000 upon a change of control. Following a change in control, all options granted to Mr. Bozoki shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Bozoki, but not yet vested, shall vest immediately.

Stefan Gueorguiev (Project Manager)

7754477 Canada Inc. entered into an agreement with the Company on March 1, 2021, for the services of Mr. Gueorguiev as Project Manager. Pursuant to the agreement, Mr. Gueorguiev receives a base fee of \$24,170 per month. Mr. Gueorguiev's agreement provides for a severance payment of one months' base fees on termination by the Company without cause. The agreement may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any fees. Just cause is defined to include, but is not limited to: (i) dishonesty or fraud; (ii) theft; (iii) breach of fiduciary duties; (iv) being guilty of bribery or attempted bribery; or (v) gross mismanagement.

In the event that there is a change in control of the Company, either Mr. Gueorguiev or the Company shall have one year from the date of such change in control to elect to have Mr. Gueorguiev's appointment terminated. In the event that such an election is made, the Company shall, within 30 days of such election, make a lump sum termination payment to Mr. Gueorguiev that is equivalent to 24 months' base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Gueorguiev in the 24 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2021, Mr. Gueorguiev would be entitled to \$580,080 upon a change of control. Following a change in control, all options granted to Mr. Gueorguiev shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Gueorguiev, but not yet vested, shall vest immediately.

Director Compensation

The Board uses cash and DSUs issued under the DSU Plan as part of the Company's overall director compensation plan. Since the value of DSUs increase or decrease with the price of the Common Shares, DSUs reflect a philosophy of aligning the interests of directors with those of the Shareholders by tying compensation to share price performance. See "Deferred Share Unit Plan".

Directors may also be reimbursed for all reasonable travel and other expenses incurred by them in the performance of their duties. In addition, the Company may grant stock options from time to time to executive-directors to align a portion of director compensation with the performance of the Company.

The following table provides information regarding compensation paid to the Company's non-executive directors for the financial year ended December 31, 2021.

Name	Fees earned (US\$) ⁽¹⁾	Share awards (US\$)	Option awards (US\$) ⁽²⁾	Non-equity incentive plan compensation (US\$)	All other compensation (US\$) ⁽³⁾	Total (US\$)
Bruce Humphrey	15,955	15,955	Nil	Nil	Nil	31,910
John Detmold	14,958	4,986	Nil	Nil	Nil	19,944
Pierre Pettigrew	7,978	7,978	Nil	Nil	Nil	15,956
David Porter	9,972	9,972	Nil	Nil	Nil	19,944
Zenon Potoczny ⁽⁴⁾	4,897	4,897	Nil	Nil	Nil	9,794
TOTALS	53,760	43,788	Nil	Nil	Nil	97,548

Notes:

(1) Amounts shown in the following table were received in DSUs and cash, as follows:

(2) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant. See "Stock Option Plan", above.

(3) All other benefits did not exceed the lesser of \$50,000 and 10% of the total annual compensation for each director.

(4) Mr. Potoczny was appointed to the Board on May 18, 2021.

Outstanding Share Awards and Option Awards

The following table provides information regarding the incentive plan awards for each non-executive director as of December 31, 2021.

Name	Option Awards				Share Awards		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) ⁽¹⁾	Number of shares or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$) ⁽²⁾
Bruce Humphrey	Nil	Nil	Nil	Nil	Nil	Nil	867,413
John Detmold	Nil	Nil	Nil	Nil	Nil	Nil	367,465
Pierre Pettigrew	Nil	Nil	Nil	Nil	Nil	Nil	429,789
David Porter	Nil	Nil	Nil	Nil	Nil	Nil	503,456
Zenon Potoczny ⁽³⁾	300,000	0.075	October 31, 2023	48,000	Nil	Nil	23,500

Notes:

(1) Based on the closing market price of \$0.235 per Common Share on December 31, 2021.

(2) The value attributed to DSUs held by directors as of December 31, 2021 is based on the closing market price of \$0.235 per Common Share on December 31, 2021.

⁽³⁾ Mr. Potoczny was appointed to the Board on May 18, 2021.

Value on Pay-Out or Vesting of Incentive Plan Awards

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the financial year ended December 31, 2021.

Name	Option awards – Value during the year on vesting (\$)	Share awards – Value during the year on vesting (\$)	Non-equity incentive plan compensation – Pay-out during the year (\$)
Bruce Humphrey	NIL	867,413	NIL
John Detmold	NIL	367,465	NIL
Pierre Pettigrew	NIL	429,789	NIL
David Porter	NIL	503,456	NIL
Zenon Potoczny	48,000	23,500	NIL

Notes:

(1) Based on the closing market price of \$0.235 per Common Share on December 31, 2021.

Deferred Share Unit Plan

In 2015, the Company implemented a deferred share unit plan (the “**DSU Plan**”) for the benefit of the Company’s non-executive directors. The DSU Plan was established to assist the Company in the recruitment and retention of qualified persons to serve on the Board and, through the proposed issuance by the Company of Common Shares under the DSU Plan, to promote better alignment of the interests of non-executive directors and the long-term interests of Shareholders.

The Board uses the deferred share units (“**DSUs**”) issued under the DSU Plan as part of the Company’s overall director compensation plan. Since the value of DSUs increase or decrease with the price of the Common Shares, DSUs reflect a philosophy of aligning the interests of directors with those of the Shareholders by tying compensation to share price performance.

The DSU Plan provides the Company with the ability to issue DSUs from treasury as a treasury-based plan and to reserve for issuance an aggregate of up to 5% of the number of issued and outstanding common shares of the Company, subject to an aggregate maximum number of common shares issuable from all share-based compensation plans of 10%. As of each of December 31, 2021 and the Record Date, there were 9,326,054 DSUs issued and outstanding representing approximately 3.1% of the then current issued and outstanding Common Shares and 9,447,588 DSUs issued and outstanding representing approximately 3.1% the then current issued and outstanding Common Share, respectively.

Summary of the DSU Plan

Set out below is a summary of the DSU Plan.

Administration of DSU Plan

The DSU Plan is administered by the Joint Committee and the Joint Committee has full discretionary authority to administer the DSU Plan including the authority to interpret and construe any provision of the DSU Plan and to adopt such rules and regulations for administering the DSU Plan as the Joint Committee may deem necessary in order to comply with the requirements of the DSU Plan, acting reasonably.

The DSU Plan provides that non-executive directors may elect to receive up to 75% of their annual compensation (the “**Annual Remuneration**”) in DSUs as follows: (a) 25% of the Annual Remuneration in DSUs; (b) 50% of the Annual Remuneration in DSUs; or (c) 75% of the Annual Remuneration in DSUs; subject to certain restrictions set out herein (the “**DSU Payment**”). Upon receipt of the requisite shareholder approvals and the approval of the TSX, the Company shall have the power, at the Joint Committee’s

discretion, to satisfy DSU payments payable under DSUs by the issuance of Common Shares from treasury on the basis of, subject to certain adjustment provisions of one Common Share for each DSU. A DSU is a unit credited toward an eligible non-executive director of the Company (a "**Participant**") by way of a bookkeeping entry in the books of the Company, the value of which is equivalent to a Common Share. A Participant's DSU account will be credited with the number of DSUs determined by dividing the dollar amount of compensation payable in DSUs on the payment date by the share price of the Common Shares at the time. Share price is defined in the DSU Plan and means the closing price of a Common Share on the TSX averaged over the five (5) consecutive trading days immediately preceding the date of grant or the redemption date, as the case may be. In the event that a dividend (other than stock dividend) is declared and paid by the Company in Common Shares, a Participant will be credited with additional DSUs. The number of such additional DSUs will be calculated by dividing the total amount of the dividends that would have been paid to the Participant if the DSUs in the Participant's account on the dividend record date had been outstanding Common Shares (and the Participant held no other Common Shares), by the closing price of a Common Share on the TSX on the date on which the dividends were paid on the Common Shares.

The Annual Remuneration payable in the form of DSUs to the Participants shall be recorded by the Company as soon as practicable after March 31 of each fiscal year. Notwithstanding any election by a Participant under the DSU Plan, the Joint Committee may, in its sole discretion, decline to award DSUs in respect of a director's Annual Remuneration and instead require the non-executive director to receive cash for Annual Remuneration in the ordinary course.

Each vested DSU held by a Participant who ceases to be an eligible director shall be redeemed by the Company on the relevant date the Participant ceases to be an eligible director, for any reason whatsoever, including death (the "**Separation Date**"), for a DSU Payment to be made to the Participant on such date as the Company determines not later than 60 days after the Separation Date and in any event no later than December 31 of the following calendar year, without any further action on the part of the holder of the DSU in accordance with the terms of DSU Plan.

The Participant holding such DSU shall not be entitled to the DSU Payment if the Participant ceases to be an eligible director, other than if the Participant ceases to be an eligible director in the event of, in connection with, or as a result of, a change of control, prior to the vesting condition(s) having been satisfied, and such DSU shall then be deemed cancelled. In the event of a change of control, each DSU shall automatically vest and be redeemable upon the occurrence of the Separation Date in accordance with the DSU Plan.

Maximum Number of Common Shares Issued

The maximum number of DSUs that may be issued pursuant to the DSU Plan cannot exceed 5% of the issued and outstanding Common Shares at the time of grant. In addition, the aggregate number of Common Shares reserved for issuance pursuant to the DSU Plan and any other securities-based compensation arrangement (pre-existing or otherwise) of the Company (as defined by applicable securities laws) shall not exceed 10% of the Common Shares outstanding from time to time.

The aggregate number of Common Shares issuable to eligible directors pursuant to the DSU Plan together with any shares issued pursuant to any other security based compensation arrangement, but excluding all DSUs and other securities that are Acceptable Equity Awards (as defined in the DSU Plan), shall not exceed 1% of the total number of outstanding Common Shares on a non-diluted basis, and the award value of all awards (together with the award value of all other rights granted under any other security based compensation arrangement), but excluding all DSUs and other securities that are Acceptable Equity Awards, to any one Eligible Director shall not exceed \$100,000 per year per Eligible Director.

As at December 31, 2021, a total of 13,080,500 stock options and 9,326,054 DSUs were issued and outstanding which represents approximately 7.4% of the issued and outstanding Common Shares of the Company, leaving approximately 7,642,467 DSUs (representing 2.6% of the issued and outstanding Common Shares on such date) available for future grants under the DSU Plan, before taking into account any additional stock option grants under the Stock Option Plan which would further reduce the unallocated

entitlements.

As at the Record Date, a total of 13,257,500 stock options and 9,447,588 DSUs were issued and outstanding which represents approximately 7.5% of the issued and outstanding Common Shares of the Company, leaving approximately 7,674,767 DSUs (representing 2.5% of the issued and outstanding Common Shares on such date) available for future grants under the DSU Plan, before taking into account any additional stock option grants under the Stock Option Plan which would further reduce the unallocated entitlements.

The Company's annual Burn Rate as described in Section 613(d) of the TSX Company Manual under the DSU Plan was 1.1% in fiscal year 2019, 1.5% in fiscal year 2020 and 0.1% in fiscal year 2021. The Burn Rate is calculated by dividing the number of DSUs granted under the DSU Plan during the relevant fiscal year by the weighted number of common shares outstanding for the applicable fiscal year, as described in Section 613(p) of the TSX Company Manual.

Insider Participation Limits

Pursuant to the provisions of the DSU Plan, insider participation is limited to the number of the Company's issued Common Shares: (i) issued to insiders of the Company within any one-year period, and (ii) issuable to insiders of the Company, at any time, pursuant to the DSU Plan or when combined with all of the Company's other security based compensation arrangements, which cannot exceed 10% of the Company's total issued and outstanding Common Shares, respectively.

Transferability

Except as otherwise may be expressly provided for under this DSU Plan or pursuant to a will or by the laws of descent and distribution, no DSU and no other right or interest of a Participant is assignable or transferable, and any such assignment or transfer in violation of this DSU Plan shall be null and void.

Amendments to the DSU Plan

The Joint Committee's discretion to amend, modify and change the provisions of the DSU Plan, acting reasonably, shall be limited to such amendments that are of a "housekeeping" nature, including the addition of or a change to vesting provisions of a security or the DSU Plan or a change to the election provisions which does not entail an increase to the maximum percentage of Annual Remuneration the non-executive directors are permitted to receive in DSUs and will not, without receipt of shareholder approval (whether or not required by law or regulation) and regulatory approval, make any amendment to the DSU Plan that:

- (i) Increases the number of securities issuable under the DSU Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage;
- (ii) Changes the definition of "Participants" which would have the potential of narrowing or broadening or increasing insider participation;
- (iii) Any amendment to shorten the vesting conditions;
- (iv) Any amendment that would permit the DSUs to be transferable (other than as provided herein);
- (v) any other amendments to the DSU Plan amendment provisions;

and shall only be effective upon such amendment, modification or change being approved by the Board, Shareholders of the Company and the stock exchanges and any other regulatory authorities having jurisdiction over the Company, and provided any such amendment shall be effective only if the DSU Plan will continue to meet the requirements of paragraph 6801(d) of the regulations to the *Income Tax Act* (Canada) or any successor provision.

Other Arrangements

Forbes & Manhattan Agreement

Pursuant to an agreement dated January 1, 2014 between Black Iron and Forbes & Manhattan, Inc. ("**Forbes & Manhattan**"), a company of which Mr. Stan Bharti is Executive Chairman (a former director and current executive officer of Black Iron), Forbes & Manhattan will continue to deliver management, business and operational consulting services to the Company. Forbes & Manhattan will be paid a fee of \$25,000 per month (the "**Forbes Fee**"), plus applicable HST. The agreement may be terminated at any time for just cause without notice or payment in lieu of notice and without payment of any fees whatsoever either by way of anticipated earnings or damages of any kind by advising Forbes & Manhattan in writing. Just cause is defined to include, but is not limited to the following: (a) dishonesty or fraud; (b) theft; (c) breach of fiduciary duties; (d) being guilty of bribery or attempted bribery; or (e) gross mismanagement. In the event that the Company wishes to terminate the agreement, the Company shall pay Forbes & Manhattan (in a lump sum payment) the equivalent of 12 months times the Forbes Fee. In the event that there is a change in control of the Company, either Forbes & Manhattan or the Company shall have one year from the date of such change in control to elect to have Forbes & Manhattan's appointment terminated. In the event such election is made, the Company shall within 30 days of such election, make a lump sum termination payment to Forbes & Manhattan in an amount that is equivalent to 36 month's base fees plus an amount equivalent to all cash bonuses paid to Forbes & Manhattan in the 36 months' prior to the change in control. Assuming a change of control occurred as at the year ended December 31, 2017, Forbes & Manhattan would be entitled to \$900,000 on a change in control. The definition of "change of control" is set out above under the heading "Termination and Change of Control Benefits".

The Forbes Fee is intended to reflect the value of the benefits and services that are provided to Black Iron by Forbes & Manhattan in gaining access to a number of individuals by virtue of their relationship with Forbes & Manhattan. Various administrative, strategic and technical services are provided and will be provided to the Company through a team of geologists, mining engineers and financial professionals related to Forbes & Manhattan on an as needed basis. In certain instances, additional fees will be paid to such individuals by the Company directly and not in connection with this agreement for their services; however, such fees are typically substantially lower than if the Company had to seek out and engage such persons on its own on a full time basis. Without the support provided by Forbes & Manhattan, the Company would not otherwise have ready access to the breadth of skilled professionals available through Forbes & Manhattan on an as needed basis. In addition, Forbes & Manhattan, through its and Mr. Stan Bharti's contacts and reputation will assist the Company in fostering relationships with strategic investors and investment banks.

CORPORATE GOVERNANCE PRACTICES

The Company and the Board recognize the importance of corporate governance to the effective management of the Company and to the protection of its stakeholders, particularly Shareholders. The Company's approach to issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed so as to enhance Shareholder value. The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or as required. The directors are kept informed regarding the Company's operations at regular meetings and through reports and discussions with management on matters within their particular areas of expertise. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Company's affairs and in light of opportunities or risks that the Company faces.

The Company believes that its corporate governance practices are in compliance with applicable Canadian requirements including National Policy 58-201 – *Corporate Governance Guidelines*. The Company has considered the applicable requirements and believes that its approach is appropriate and works effectively for the Company and its Shareholders. The Company continues to monitor developments in Canada with a view to further revising its governance policies and practices, as appropriate.

The following is a description of the Company's corporate governance practices, which has been prepared by the Joint Committee of the Board and has been approved by the Board.

Board of Directors

The Board currently consists of six members, a majority of whom are independent. Mr. Matthew Simpson is not independent as he is Chief Executive of the Company. Messrs. John Detmold, Bruce Humphrey, Pierre Pettigrew, David Porter and Zenon Potoczny are independent for the purposes of NI 58-101 – *Disclosure of Corporate Governance Practices*.

Other Directorships

The following directors of the Company currently hold directorships in the following reporting issuers (or equivalent in a foreign jurisdiction) as noted below:

Director	Other Reporting Issuers	Stock Exchange
Matt Simpson	None	N/A
John Detmold	None	N/A
Bruce Humphrey	Euro Sun Mining Inc.	TSX
Pierre Pettigrew	Belgravia Capital Investments Inc. Troilus Gold Corp.	TSX-V TSX
David Porter	None	N/A
Zenon Potoczny	Zhoda Investments AB	beQuoted OTC

During the year ended December 31, 2021, the Board held four Board meetings. The attendance of each of the directors, based on the number of meeting each was eligible to attend is as follows: Mr. Humphrey (4/4), Mr. Detmold (4/4), Mr. Pettigrew (4/4), Mr. Porter (4/4), Mr. Potoczny (2/2) and Mr. Simpson (4/4). The remainder of Board activities were conducted by way of written consent resolutions.

Board Mandate

The Board has adopted a written mandate in which it assumes responsibility for the stewardship and development of the Company. The mandate provides that: (i) the Board's primary responsibility is to develop and adopt the strategic direction of the Company and to, at least annually, review and approve a strategic plan as developed and proposed by management, which takes into account the business opportunities and risks of the Company; and (ii) the Board is responsible for reviewing and approving the Company's financial objectives, plans and actions, including significant capital allocations and expenditures.

The mandate charges the Board with responsibility for, among other things: (i) monitoring corporate performance; (ii) identifying principal business risks and ensuring that appropriate systems are put in place to manage such risks; (iii) monitoring and ensuring internal control and procedures; (iv) ensuring appropriate standards of corporate conduct; (v) reviewing and approving financial statements and management's discussion and analysis; (vi) reviewing compensation of the members of the Board and senior management; (vii) reviewing and approving material transactions and annual budgets; (viii) developing the Company's approach to corporate governance; (ix) identifying and recommending new nominees; and (x) assessing its own effectiveness in fulfilling its mandate. The Board's mandate also sets

forth procedures relating to the Board's operations such as the size of Board and selection process, director qualifications, director orientation and continuing education, meetings and committees, evaluations, compensation and access to independent advisors.

The Independence of the Board

To facilitate the functioning of the Board independently of management, the following structures and processes are in place:

- there are no members of management on the Board other than the President and CEO;
- members of management, including without limitation the CEO, are not present for the discussion and determination of certain matters at meetings of the Board unless required;
- each of the Audit Committee and Joint Committee are comprised solely of independent directors;
- under the by-laws of the Company, any two directors may call a meeting of the Board;
- the CEO's compensation is considered by the Board, in his absence, by the Joint Committee at least once a year;
- in addition to the standing committees of the Board, independent committees will be appointed from time to time, when appropriate; and
- the Board's practice is to hold in-camera meetings with the independent directors at the end of each Board or committee meeting to the extent required.

The independent directors hold in camera sessions during regularly scheduled board meetings at which non-independent directors and members of management are not in attendance. To facilitate open and candid discussion among its independent directors, the independent directors are encouraged to ask questions and to request non-independent directors and members of management to excuse themselves during discussions on related matters. Any items of discussion that could involve a potential conflict of interest among one or more directors will be voted on by those directors who do not have a conflict in connection with the relevant matter.

Position Descriptions

Chair of the Board

The Chair of the Board is Mr. Bruce Humphrey and he is considered to be an independent director. The Board has developed and adopted a written position description for the Chair of the Board, indicating that the Chair is responsible for, among other things, chairing all meetings of the Board in a manner that promotes meaningful discussion, providing leadership to enhance the Board's effectiveness, acting as a liaison between the Board and management and at the request of the Board, representing the Company to external groups, including shareholders, community groups and government. He ensures that resources are available to the Board, as necessary, that functions are delegated to the appropriate committees of the Board and responsibilities are understood. The Chair works with the Joint Committee to ensure a process is in place to assess the performance, effectiveness and contribution of the Board as a whole on an annual basis.

Chair of the Audit Committee

The Chair of the Audit Committee is Mr. John Detmold. The Board has adopted a written position description for the Chair of the Audit Committee, indicating that the Chair of the Audit Committee is responsible for, among other things, chairing all meetings of the Audit Committee, ensuring the Audit Committee monitors the Company's financial reporting process and internal control systems independently

and objectively, ensuing procedures are in place to review the Company's public financial statements disclosure, and overseeing the Audit Committee's participation in the accounting and financial reporting process and audits of the financial statements.

Chair of the Joint Corporate Governance and Compensation Committee

The Board has appointed Mr. David Porter as Chair of the Joint Corporate Governance and Compensation Committee (the "**Joint Committee**") and developed and adopted a written position description for the Chair of this Joint Committee which indicates that the Chair of the Joint Committee is responsible for, among other things, assessing reviewing the Board's compensation on at least an annual basis and reviewing and recommending to the Board the level of compensation packages for the executive officers and members of senior management, assessing the effectiveness of the Board and the Company's governance, including periodically reviewing with the Board, on a periodic basis, the requisite skills and characteristics of prospective Board members as well as the composition of the Board as a whole.

Chief Executive Officer

The Board has developed and adopted a role statement for the Chief Executive Officer whose primary role is to take overall supervisory and managerial responsibility for the day-to-day operations of the Company's business and manage the Company in order to achieve the goals and objectives determined by the Board in the context of the Company's strategic plan. The Chief Executive Officer's role statement sets forth responsibilities including, but not limited to: (i) maintaining, developing and implementing the Company's strategic plans; (ii) developing new strategic alliances to enhance shareholder value; (iii) providing high quality leadership, support, coordination and guidance to staff and various responsible officers and managers; (iv) ensuring communications between the Company and major shareholders; (v) providing timely strategic, operational and reporting information to the Board; (vi) coordinating the preparation of an annual business plan; and (vii) taking responsibility for the administration of all of the Company's sub-areas and administrative practices.

Orientation and Continuing Education

Generally, the Joint Committee is responsible for ensuring that new directors are provided with an orientation and education program, which will include written information about the duties and obligations of directors, the business and operations of the Company, documents from recent Board meetings, and opportunities for meetings and discussion with senior management and other directors. Directors are expected to attend all meetings of the Board and are also expected to prepare thoroughly in advance of each meeting in order to actively participate in the deliberations and decisions.

The Board recognizes the importance of ongoing director education and the need for each director to take personal responsibility for this process. The Board notes that it has benefited from the experience and knowledge of individual members of the Board in respect of the evolving governance regime and principles. Moreover, the Board acknowledges that the Company has benefitted from the directors' combined extensive experience in the industries of mining and finance as well as the regulatory environment in Ukraine. The Board ensures that all directors are apprised of changes in the Company's operations and business.

Ethical Business Conduct

In fulfilling its mandate and approving various decisions put forth by management, the Board ensures that the measures taken by management comply with Canadian securities regulations and other applicable legislation. Members of the Board are also aware of their fiduciary role with the Company as well as their individual fiduciary duties in their capacity as directors, all of which are set out in various provincial corporate legislation. In exercising their powers and discharging their duties, the Board is required to act honestly and in good faith with a view to the best interests of the Company, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board has adopted a written code of ethics entitled the “Code of Business Conduct and Ethics” (the “**Ethics Code**”), which applies to all employees, officers and directors of the Company. The purpose of the Ethics Code is to, among other things, promote honest and ethical conduct, promote legal compliance, promote the avoidance of conflicts of interest, provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability for the Company.

The Board is responsible for compliance issues relating to the Ethics Code, which contains the procedures by which an individual can report actual or potential violations of the Ethics Code to the Chair of the Audit Committee. The Ethics Code provides that any violations of the Ethics Code by any employee, officer or director may be grounds for disciplinary action including termination of employment, office and directorship.

Pursuant to the Ethics Code, directors or officers of the Company are required to disclose to the Chair of the Audit Committee in writing, any conflicts of interest, or request to have entered into the minutes of meetings of the Board the nature and extent of such interest. The fiduciary duties placed on individual directors pursuant to corporate legislation and the common law, and the conflict of interest provisions under corporate legislation which restricts an individual director’s participation in decisions of the Board in which the director has an interest also ensure that the Board operates independently of management and in the best interests of the Company.

The Board has adopted a written “Whistleblower Policy” which establishes procedures for: (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters or violations of the Ethics Code; and (ii) the submission by employees of the Company, on a confidential and anonymous basis, of concerns regarding questionable accounting, auditing matters or violations of the Ethics Code.

The Board has adopted a “Corporate Disclosure and Insider Trading Policy” to ensure that: (i) the Company complies with timely disclosure obligations under securities laws; (ii) the Company prevents the selective disclosure of material changes; (iii) documents released by the Company or public oral information that relate to the business and affairs of the Company do not contain a misrepresentation; (iv) persons to whom the policy applies understand their obligations to preserve the confidentiality of “undisclosed material information” (as defined in the policy); and (v) all appropriate parties who have “undisclosed material information” are prohibited from trading in securities of the Company on such information and “tipping” under applicable laws, TSX rules and the policy.

Nomination of Directors

The Board as a whole is responsible for the nomination of directors. The Board’s responsibilities include identifying and recommending new candidates for nomination to the Board based upon: (i) the competencies and skills necessary for the Board as a whole to possess; (ii) the competencies and skills necessary for each individual director to possess; (iii) the competencies and skills which each new nominee to the Board is expected to bring; and (iv) whether the proposed nominee to the Board will be able to devote sufficient time and resources to the Company. To encourage an objective nomination process, the Board promotes open and candid discussion among its independent directors.

The size of the Board will be reviewed on a regular basis. The Board will take into account the number of directors required to carry out the Board’s duties effectively, and to maintain a diversity of views and experience.

Majority Voting Policy

The Company has adopted a majority voting policy (the “**Majority Voting Policy**”) to provide a meaningful way for the Shareholders to hold individual directors accountable and to require the Company to closely examine directors that do not have the support of a majority of Shareholders, on an annual basis. The policy provides that at each annual meeting of shareholders, forms of proxy for the election of directors

will permit a Shareholder to vote in favour of, or to withhold from voting, separately for each director nominee and that where a director nominee has more votes withheld than are voted in favour of him or her, the nominee will be considered not to have received the support of the Shareholders, even though duly elected as a matter of corporate law. Pursuant to the policy, such a nominee will forthwith submit his or her resignation to the Board, such resignation to be effective on acceptance by the Board. The Board will establish an advisory committee (the “**Advisory Committee**”) to which it shall refer the resignation for consideration. In such circumstances, the Advisory Committee will make a recommendation to the Board as to the director’s suitability to continue to serve as a director after reviewing, among other things, the results of the voting for the nominee, and the Board will consider such recommendation. This policy does not apply where an election involves a proxy battle (i.e., where proxy material is circulated in support of one or more nominees who are not part of the director nominees supported by the Board).

Committees of the Board

As of the date hereof, the Board had the following two standing committees:

- Audit Committee - comprised of John Detmold (Chair), Pierre Pettigrew and David Porter; and
- Joint Committee – comprised of David Porter (Chair), Pierre Pettigrew and Bruce Humphrey.

Each of these committees are comprised of directors who are independent of management and each of the committees noted above report directly to the Board. From time to time, when appropriate, *ad hoc* committees of the Board may be appointed by the Board.

Audit Committee

Audit Committee Charter

The Audit Committee has adopted a written charter setting out its mandate and responsibilities. The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting processes and internal controls. The Audit Committee’s primary duties and responsibilities are to: (i) conduct reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the committee; (ii) assess the integrity of internal controls and financial reporting procedures of the Company and ensure implementation of such controls and procedures; (iii) ensure appropriate standards of corporate conduct for senior financial personnel and employees and, if necessary, adopt a corporate code of ethics; (iv) review the quarterly and annual financial statements and management’s discussion and analysis of the Company’s consolidated financial position and operating results and report thereon to the Board for approval; (v) select and monitor the independence and performance of the Company’s external auditors and approve their remuneration; (vi) provide oversight to related party transactions entered into by the Company; and (vii) provide oversight of all disclosure relating to financial statements, management’s discussion and analysis and information derived therefrom. The Audit Committee is responsible for inquiring of management and the external auditors about significant risks or exposures, both internal and external to which the Company may be subject and assessing the steps management has taken to minimize such risks. The Audit Committee is also responsible for establishing and implementing procedures in respect of complaints and submissions relating to accounting matters and the approval of non-audit services by the external auditors. A copy of the Charter of the Audit Committee is attached to this Circular as Appendix “A”.

Composition of the Audit Committee

The Audit Committee has been constituted to oversee the financial reporting processes of the Company and is comprised of three independent directors; namely Messrs. John Detmold, (Chair of the Audit Committee), David Porter and Pierre Pettigrew. Each member of the Audit Committee is financially literate and possesses extensive financial knowledge, experience and comprehension of financial statements.

Additional information regarding the Audit Committee is contained in the Company's annual information form for the year ended December 31, 2021 (the "AIF") under the heading "Audit Committee Disclosure". The AIF is available under the Company's profile on SEDAR at www.sedar.com.

Relevant Education and Experience

The summaries of experience and education for each of the members of the Audit Committee follows:

John Detmold. Mr. Detmold has over 30 years' experience in corporate finance experience and as the CEO of several financial service and industrial companies. Currently, Mr. Detmold is also the Chairman of Investure Group, S.A. de C.V., the Chairman of Comunicación Xersa, S.A. de C.V. and is an active member of the Young Presidents Organization. He graduated from McGill University with a Bachelor's degree with honours in Economics.

David Porter. Mr. Porter holds an MBA and is a seasoned executive who served as Vice President Human Resources and Organizational Effectiveness for the Iron Ore Company of Canada from 1992 to 2008. Since January, 2009, Mr. Porter has been a Principal at Atlee Services. He has also been responsible for Operations, Safety, Health, Sustainable Development, Communications and Community Relations across the mining and steel sectors for over 34 years. Mr. Porter has led the development and execution of business strategy, negotiated agreements with international unions, governments and communities and led business transformation initiatives.

Pierre Pettigrew. From January 1996 to February 2006, Mr. Pettigrew served as a member of the Government of Canada where he led a number of senior government departments in successive federal Canadian governments. Among other positions, he has served Canada as the Minister of Foreign Affairs, Minister for International Trade and the Minister for International Cooperation. Mr. Pettigrew presently works with Deloitte & Touche, LLP in the role of Executive Advisor, International and he serves as a director of several public companies.

Reliance on Certain Exemptions

Since the commencement of the Company's recently completed financial year, the Company has not relied on any exemptions available under National Instrument 52-110 — *Audit Committees*.

Audit Committee Oversight

At no time since the commencement of the Company's recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee charter sets out procedures regarding the provision of non-audit services by the Company's independent registered chartered accountants. This policy encourages consideration of whether the provision of services other than audit services is compatible with maintaining the auditor's independence and requires Audit Committee pre-approval of permitted non-audit and non-audit-related services.

External Auditor Service Fees (by category)

McGovern Hurley LLP was appointed as the Company's external auditors as of May 14, 2018. The aggregate fees billed by the Company's external auditors for the last two fiscal years are set out in the table below. "Audit Fees" includes fees for audit services including the audit services completed for the Company's subsidiaries. "Audit-Related Fees" includes fees for assurance and related services by the

Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and not reported under Audit Fees, including the review of interim filings and travel related expenses for the annual audit. "Tax Fees" includes fees for professional services rendered by the external auditor for tax compliance, tax advice, and tax planning. "All Other Fees" includes all fees billed by the external auditors for services not covered in the other three categories.

Year	Audit Fees (\$)	Audit Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
2021	60,800	NIL	5,000	26,250
2020	38,000	NIL	5,000	NIL

The Joint Corporate Governance and Compensation Committee

The Joint Committee is currently comprised of Messrs. David Porter (Chair), Pierre Pettigrew and Bruce Humphrey; and each of whom is an independent director.

The Board, with the assistance of the Joint Committee, is responsible for reviewing the compensation of members of the Board to ensure that compensation realistically reflects the responsibilities and risks involved in being a director and for reviewing the compensation of members of senior management to ensure that compensation is competitive within the industry and aligns the interests of such individual with those of the Company.

In connection with its responsibilities relating to compensation of the Company's directors and officers, the Joint Committee is responsible for: (i) annually reviewing, approving and recommending to the Board for approval, the remuneration of the senior executives of the Company (including the Chief Executive Officer and Chief Financial Officer); (ii) reviewing the Chief Executive Officer's goals and objectives for the upcoming year and providing an appraisal of such performance at the end of the year; (iii) meeting with the Chief Executive Officer to discuss goals, objectives, compensation and performance of other senior executive officers; (iv) reviewing and recommending to the Board for approval, the remuneration of directors and senior executives, including any bonus entitlements; (v) developing and submitting recommendations with regard to other employee benefits and bonus plans; (vi) periodically reviewing bonus plans and stock option plans in light of new trends and practices in the industry; (vii) reviewing the use of the Company's stock option plan; and (ix) reviewing the Company's executive compensation disclosure in any management information circular of the Company.

In addition, the Joint Committee is tasked with the function of developing and recommending to the Board a set of corporate governance principles applicable to the Company and to identify and recommend individuals to the Board for nomination as members of the Board and its committees (other than the Joint Committee). The Joint Committee is responsible for reviewing with the Board, on a periodic basis, the requisite skills and characteristics of prospective Board members as well as the composition of the Board as a whole. This assessment will include member's contribution, qualification as independent, as well as consideration of diversity, age, skills and experience in the context of the needs of the Board. The Board identifies new candidates for board nomination by considering experience and qualifications in the areas of mining, financial reporting, capital markets and public company stewardship. The Board seeks members who have skills and experiences in these areas and will augment its membership of the Board from time to time as considered necessary in order to ensure experience and skills from these areas are reflected on the Board at all times.

Board Assessments

The Board and its individual directors are assessed on an informal basis continually as to their effectiveness and contribution. All directors are free to make suggestions for improvement of the practice of the Board at any time and are encouraged to do so.

Director Term Limits

The Company has not adopted term limits for directors on the Board or other mechanisms of director renewal as the Board currently assesses each director in order to ensure that the Board is balanced between highly experienced directors with long-term knowledge and those with a fresh perspective. The Board will periodically consider whether term limits or other mechanisms of renewal for the Board should be adopted and will implement changes when necessary.

Women on the Board of Directors and in Executive Officers

The Company has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board consider the level of representation of women when making executive officer appointments or set targets regarding women on the Board or in executive positions. However, informally, the Company values diversity, including, without limitation, diversity of experience, perspective, education, race, gender and national origin as part of its overall business strategy. The Board intends to consider whether it should adopt specific policies and practices regarding the representation of women on the Board and in executive positions, including the setting of targets for such representation. As at the date hereof, no members of the Board are women.

MATTERS TO BE CONSIDERED

Financial Statements

The financial statements for the fiscal year ended December 31, 2021, together with the auditor's report thereon, and the financial statements for the three-month period ended March 31, 2022 will be presented to Shareholders for review at the Meeting and were mailed to Shareholders with the Notice of Meeting and this Circular. No vote by the Shareholders is required with respect to this matter.

Election of Directors

Under the constating documents of the Company, the Company is to have a minimum of three directors and a maximum of ten directors. The Board currently consists of six directors. The Company has nominated six persons (the "**Nominees**") for election as a director at the Meeting. At the Meeting, Shareholders will be asked to elect these Nominees as directors.

The following table provides the names of the Nominees and information concerning such Nominees. The persons in the enclosed form of proxy intend to vote for the election of the Nominees. Management does not contemplate that any of the Nominees will be unable to serve as a director. At the Meeting, Shareholders will be asked to elect these Nominees as directors. The process for voting for election of each director will be by individual voting and not by slate voting. The Shareholders can vote for or withhold from voting on the election of each director on an individual basis. As the Company has adopted a Majority Voting Policy, the process for voting for election of each director will be by individual voting and not by slate voting. The Shareholders can vote for or withhold from voting on the election of each director on an individual basis. See "Corporate Governance Practices" for more information on our Majority Voting Policy.

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the election of all of the Nominees. If prior to the Meeting any of such Nominees is unable to or unwilling to serve, the persons named in the accompanying form of proxy will vote for another nominee or nominees in their discretion if additional nominations are made at the Meeting. Each Nominee elected will hold office until his successor is elected at the next annual meeting of Shareholders, or any postponement(s) or adjournment(s) thereof, or until his successor is elected or appointed.

Information in the table below regarding the number of Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by the Nominees is based upon information furnished by the respective Nominee and is as at the Record Date.

Name, Municipality of Residence and Position with the Company	Director/Officer Since	Principal Occupation	Number of Common Shares Beneficially Owned, Directly or Indirectly or Over Which Control or Direction is Exercised
BRUCE HUMPHREY, Chair ⁽²⁾ Ontario, Canada	December 22, 2010	Business and Mining Consultant	622,500
JOHN DETMOLD, Director ⁽¹⁾ Naucalpan, Mexico	December 22, 2010	Managing Director, Invecture Group	3,690,909
PIERRE PETTIGREW, Director ⁽²⁾ Ontario, Canada	December 22, 2010	Executive Advisor, Deloitte & Touche LLP	737,500
DAVID PORTER, Director ^{(1) (2)} Ontario, Canada	December 22, 2010	Business and Mining Consultant	125,000
ZENON POTOCZNY, Director Ontario, Canada	May 18, 2021	Director of Zhoda Investments	100
MATTHEW SIMPSON, Chief Executive Officer and Director Ontario, Canada	December 15, 2010	Chief Executive Officer of the Company	1,341,333

Notes:

(1) Member of the Audit Committee. John Detmold is the Chair of the Audit Committee.

(2) Member of the Joint Committee. David Porter is the Chair of the Joint Committee.

The directors of the Company are elected by the Shareholders at each annual meeting and typically hold office until the next annual meeting at which time they may be re-elected or replaced.

The by-laws of the Company permit the Board to appoint directors to fill any casual vacancies that may occur between meetings of Shareholders. Individuals appointed as directors to fill casual vacancies on the Board hold office like any other director until the next annual general meeting at which time they may be re-elected or replaced.

As of the Record Date, the directors, as a group, beneficially own, directly or indirectly, or exercise control or direction over, a total of 6,517,342 Common Shares, representing approximately 2.15% of the then issued and outstanding Common Shares.

All of the Nominees were elected as directors by the Shareholders at the last annual meeting of the Shareholders.

Corporate Cease Trade Orders

To the Company's knowledge, no Nominee is, as at the date of the Circular, or was within ten years before the date of the Circular a director, chief executive officer or chief financial officer of any company (including the Company) that:

- (a) was subject to a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, and that was issued while the Nominee was acting in such capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, and that was issued after the Nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Other than as described below, to the Company's knowledge, no Nominee:

- (a) is, as at the date of the Circular, or has been within the ten years before the date of the Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of the Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of the Nominee.

By Order of the Supreme Court of Newfoundland and Labrador (the "**Court**") dated June 17, 2020, Deloitte Restructuring Inc. ("**Deloitte**") was appointed as the receiver and manager (the "**Receiver**") of all current and future assets, undertakings, and properties of the Kami Mine Limited Partnership, Kami General Partner Limited, and Alderon Iron Ore Corp. The receivership was initiated by a secured creditor of the Kami Mine Limited Partnership after its failure to refinance the secured debt due to the COVID-19 pandemic. Mr. Porter was a Director of Alderon Iron Ore Corp. until April 28, 2020.

Penalties or Sanctions

To the knowledge of the Company, no Nominee, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict is required to disclose his interest and abstain from voting on such matter.

Other than as disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

Indebtedness of Directors and Executive Officers

As at the date hereof, none of the Company's directors, executive officers, employees and former executive officers, directors and employees of the Company or any of its subsidiaries was indebted to the Company or its subsidiaries or has any indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or its subsidiaries.

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the accompanying proxy intend to vote for the appointment of McGovern Hurley LLP ("**McGovern**") as the auditor of the Company to hold office until the next annual general meeting and to authorize the directors to fix their remuneration. McGovern were first appointed the Company's auditor as of May 14, 2018.

The Audit Committee recommends the election of McGovern Hurley LLP as the Company's auditor to hold office, until the Company's next annual general meeting. It is intended that all management proxies received will be voted in favour of the appointment of McGovern Hurley LLP as the Company's auditor, unless a proxy contains specific instructions to vote against such resolution.

Interest of Informed Persons in Material Transactions

To the knowledge of the directors and officers of the Company, no informed person of the Company, proposed nominee for director of the Company, or any associate or affiliate of the foregoing has or had any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company.

Additional Information

Additional information relating to the Company may be found under the profile of the Company on SEDAR at www.sedar.com. Additional financial information is provided in the Company's audited financial statements and related management's discussion and analysis for the financial year ended December 31, 2021, which can be found under the profile of the Company on SEDAR. Shareholders may also request these documents from the Corporate Secretary of the Company by email at kenny.choi@fmresources.ca or by telephone at (416) 861-2267.

Board of Directors Approval

The contents of this Circular and the sending thereof to the shareholders of the Company have been approved by the Board.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "Matthew Simpson"

Chief Executive Officer

Toronto, Ontario
May 24, 2022

APPENDIX "A"



BLACK IRON INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

1. PURPOSE OF THIS CHARTER

The Audit Committee (the “**Committee**”) is appointed by the Board of Directors (the “**Board**”) of Black Iron Inc. (the “**Corporation**”) to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Corporation. The Committee’s primary duties and responsibilities are to:

- a) conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- b) assess the integrity of internal controls and financial reporting procedures of the Corporation and ensure implementation of such controls and procedures;
- c) ensure that there is an appropriate standard of corporate conduct for senior financial personnel and employees including, if necessary, adopting a corporate code of ethics;
- d) review the quarterly and annual financial statements and management’s discussion and analysis of the Corporation’s financial position and operating results and in the case of the annual financial statements and related management’s discussion and analysis, report thereon to the Board for approval of same;
- e) select and monitor the independence and performance of the Corporation’s external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- f) provide oversight of all disclosure relating to, and information derived from, financial statements, management’s discussion and analysis and information.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors, as well as any officer of the Corporation, or outside counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee’s duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval. In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part 4 of this Charter.

2. AUTHORITY OF THE AUDIT COMMITTEE

The Committee shall have the authority to:

- a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- b) set and pay the compensation for advisors employed by the Committee; and
- c) communicate directly with the internal and external auditors.

3. COMPOSITION AND MEETINGS

The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, including, without limitation, those of the Ontario Securities Commission (“OSC”), the Toronto Stock Exchange, the *Business Corporations Act* (Ontario) and all applicable securities regulatory authorities.

- a) The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair. The position description and responsibilities of the Chair are set out in Schedule “A” attached hereto.
- b) Each member of the Committee shall be “independent” and “financially literate”. An “independent” director is a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is a relationship which, in the view of the Board of Directors of the Corporation, could be reasonably expected to interfere with the exercise of the director’s independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of National Instrument 52-110 — *Audit Committees*, as set out in Schedule “B” hereto. A “financially literate” director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can be reasonably expected to be raised in the Corporation’s financial statements.
- c) Each member of the Committee shall sit at the appointment of the Board of Directors, and in any event, only so long as he or she shall be independent. The Committee shall report to the Board of Directors.
- d) The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present, either in person or by telephone, shall constitute a quorum.
- e) If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
- f) If, and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
- g) The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours’ notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
- h) Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

- i) The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
- j) The Committee may invite such officers, directors and employees of the Corporation and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
- k) Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. The Committee shall report its determinations to the Board at the next scheduled meeting of the Board, or earlier as the Committee deems necessary. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation, other than those relating to non-audit services and annual audit fees which do not require the approval of the Board.
- l) The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.
- m) The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.

4. RESPONSIBILITIES

a) Financial Accounting and Reporting Process and Internal Controls

- i) The Committee shall review the annual audited and interim financial statements and related management's discussion and analysis before the Corporation publicly discloses this information to satisfy itself that the financial statements are presented in accordance with applicable accounting principles and in the case of the annual audited financial statements and related management's discussion and analysis, report thereon and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.
- ii) The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.
- iii) The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, management's discussion and analysis and annual and interim earnings press releases, and periodically assess the adequacy of these procedures.
- iv) The Committee shall review any press releases containing disclosure regarding financial information that are required to be reviewed by the Committee under any applicable laws before the Corporation publicly discloses this information.
- v) The Committee shall meet no less than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Corporation in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief

- Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Corporation in charge of financial matters, deem appropriate.
- vi) The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Corporation may be subject, and assess the steps management has taken to minimize such risks.
 - (vii) The Committee shall provide oversight of the Corporation's policies, procedures and practices with respect to the maintenance of the books, records and accounts, and the filing of reports, by the Corporation with respect to third party payments in compliance with the *Corruption of Foreign Public Officials Act (Canada)*, the *Extractive Sector Transparency Measures Act (Canada)* and similar applicable laws.
 - viii) The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
 - ix) The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel and all employees.
 - x) The Committee shall establish and monitor procedures for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding: (a) accounting, internal accounting controls or auditing matters; or (b) violations of the Corporation's policies including the Code of Business Conduct and Ethics; Anti-Bribery and Anti-Corruption Policy; and Corporate Disclosure, Confidentiality and Insider Trading Policy; and
 - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters or violations of any of the Corporation's policies (as described above).
The Corporation's whistleblower policy will be extended to cover any concerns or complaints regarding the aforementioned matters.
 - xi) The Committee shall provide oversight to related party transactions entered into by the Corporation.
 - xii) The Committee shall establish the budget process, which shall include the setting of spending limits and authorizations, as well as periodic reports from the Chief Financial Officer comparing actual spending to the budget.
 - xiii) The Committee shall have the authority to adopt such policies and procedures as it deems appropriate to operate effectively.

b) Independent Auditors

- i) The Committee shall recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors' report directly to the Committee.
- ii) The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
- iii) The pre-approval of the Committee shall be required as further set out in Schedule "C" prior to the undertaking of any non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.
- iv) The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.

- v) The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
- vi) The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
- vii) The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within IFRS that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Corporation and the external auditors.
- viii) The Committee shall review fees paid by the Corporation to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
- ix) The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Corporation.
- x) The Committee shall monitor and assess the relationship between management and the external auditors and monitor and support the independence and objectivity of the external auditors.
- xi) The Committee shall have the authority to engage the external auditors to perform a review of the interim financial statements.

c) Other Responsibilities

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

SCHEDULE "A"
BLACK IRON INC.
POSITION DESCRIPTION FOR THE CHAIRMAN OF THE AUDIT COMMITTEE

1. PURPOSE

The Chairman of the Audit Committee of the Board shall be an independent director who is elected by the Board to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of the Corporation.

2. WHO MAY BE CHAIRMAN

The Chairman will be selected from amongst the independent directors of the Corporation who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chairman will be selected annually at the first meeting of the Board following the annual general meeting of shareholders.

3. RESPONSIBILITIES

The following are the primary responsibilities of the Chairman:

- a) chairing all meetings of the Committee in a manner that promotes meaningful discussion;
- b) ensuring adherence to the Committee's Charter and that the adequacy of the Committee's Charter is reviewed annually;
- c) providing leadership to the Committee to enhance the Committee's effectiveness, including:
 - i) providing the information to the Board relative to the Committee's issues and initiatives and reviewing and submitting to the Board an appraisal of the Corporation's independent auditors and internal auditing functions;
 - ii) ensuring that the Committee works as a cohesive team with open communication, as well as ensuring open lines of communication among the independent auditors, financial and senior management and the Board of Directors for financial and control matters;
 - iii) ensuring that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - iv) ensuring that the Committee serves as an independent and objective party to monitor the Corporation's financial reporting process and internal control systems, as well as to monitor the relationship between the Corporation and the independent auditors to ensure independence;
 - v) ensuring that procedures are in place to assess the audit activities of the independent auditors and the internal audit functions;
 - vi) ensuring that procedures are in place to review the Corporation's public disclosure of financial information and assess the adequacy of such procedures periodically, in consultation with any disclosure committee of the Corporation;
 - vii) ensuring that clear hiring policies are put in place for partners and employees of the auditors;
- d) ensuring that procedures are in place for dealing with complaints received by the Corporation regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns, ensuring the establishment of a budget process, which shall include the setting of spending limits and authorizations and periodical reports from the Chief Financial Officer of actual spending as compared to the budget regarding questionable accounting or auditing matters; and
- e) managing the Committee, including:

- i) adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
- ii) preparing the agenda of the Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
- iii) ensuring meetings are appropriate in terms of frequency, length and content;
- iv) obtaining and reviewing with the Committee an annual report from the independent auditors, and arranging meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
- v) overseeing the Committee's participation in the Corporation's accounting and financial reporting process and the audits of its financial statements;
- vi) ensuring that the auditor's report directly to the Committee, as representatives of the Corporation's shareholders; and
- vii) annually reviewing with the Committee its own performance.

**SCHEDULE “B”
BLACK IRON INC.
NATIONAL INSTRUMENT 52-110 AUDIT COMMITTEES (“NI 52-110”)**

Section 1.4 — Meaning of Independence

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a “material relationship” is a relationship which could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
 - (a) has previously acted as an interim chief executive officer of the issuer, or

- (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 — Additional Independence Requirements for Audit Committee Members

- (1) Despite any determination made under section 1.4 of NI 52-110, an individual who
 - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
 - (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

SCHEDULE “C”
BLACK IRON INC.
Procedures for Approval of Non-Audit Services

1. The Corporation’s external auditors shall be prohibited from performing for the Corporation the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Corporation’s accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board or International Accounting Standards Board or other analogous board which may govern the Corporation’s accounting standards, from time to time determines is impermissible.

2. In the event that the Corporation wishes to retain the services of the Corporation’s external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Corporation shall consult with the Chair of the Committee, who shall have the authority to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.

3. The Chief Financial Officer of the Corporation shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

BLACK IRON INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Date: March 7, 2022

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 year ended December 31, 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, 2021. The consolidated 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 year ended December 31, 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).

Subsequent Events - Outbreak of War in Ukraine

The Company’s future operations may be affected by the outbreak of war between Russia and Ukraine. In late 2021 and into 2022, there has been an escalation of tension between Ukraine and Russia at the Ukrainian and Russian border, with both countries deploying additional military personnel and equipment near the border. On February 24, 2022, Russia launched an invasion of Ukraine, and as of the date hereof, is still ongoing. As a result, the international community has responded with a variety of sanctions on Russia and companies have withdrawn products and services from Russia. Any further escalation, imposition of sanctions in areas which the Company operates, outbreak of war into other countries or regions or other escalation may have a material adverse effect on the Company’s ability to develop the Project due to, among other factors, diversion of resources of the Ukrainian government to resolving such conflict particularly from its Ministry of Defence who hold essential land for Project development, withdrawal of the Company’s personnel from Ukraine for their safety, difficulty in getting foreign consultants on site, inability to secure financing due to increased risk profile of the Project, destruction of property due to the Ukraine war or expropriation or de-facto expropriation of the Project and all associated assets. The Company continues to monitor the situation and maintains an open dialogue with the Ukrainian government, although there is no assurance the current efforts to progress the Project will not be adversely affected by geo-political tensions.

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.

Outlook

Iron ore prices continue to remain strong with benchmark 62% iron content ore currently selling for ~US\$130 per tonne and more premium 65% iron content for ~US\$165 per tonne. Iron content grade premiums are supported by fundamentals as the quickest way to reduce GHG 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.

Black Iron announced on June 30, 2021 that it has retained Wood PLC (“Wood”) to complete an updated feasibility for the Project (the “Updated Feasibility Study”). Wood continues to progress Black Iron’s feasibility study and is on track to complete this work late Q1 2022. Simultaneously, Environmental Resource Management (“ERM”), Black Iron’s environmental consultant, is working to collect field baseline data for input into an Environmental and Social Impact Assessment.

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. Despite it being

more difficult of late to meet with senior representatives from Ukraine's Ministry of Defence to negotiate a binding contract for land transfer given the build up of Russian troops at Ukraine's boarder, discussions are occurring with the new Deputy Minister of Defence assigned to this file.

Finally, Black Iron has completed its application for a Ukraine Government investment support agreement (the "Investment Support Agreement") and is waiting on some revisions to the secondary legislation governing the implementation of this law to be passed prior to submitting. The application is a multi-hundred page document covering several aspects of the Shymanivske Project including estimates of future employment, tax payments, technical design, environment impacts and social impacts/benefits. Should Black Iron be successful in arranging this Investment Support Agreement, it has the potential to eliminate import duties on all equipment for Project construction, VAT payments during construction and provide further government support for the Ministry of Defence land transfer.

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.
- On May 17, 2021, the Company announced the addition of Zenon Potoczny to its Board of Directors, Stefan Gueorguiev as Project Director and the retirement of Les Kwasik as Chief Operating Officer.
- 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 has been engaged to conduct an updated feasibility study based on the phased construction. Wood continues to progress Black Iron's feasibility study and is on track to complete this work late Q1 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 and 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 an initial 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 ~\$165 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.

Selected Quarterly Financial Information

Three months ended	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Loss for the period	\$ 2,169,705	\$ 2,073,752	\$ 897,499	\$ 686,533
Total comprehensive loss	2,117,682	2,151,274	900,154	680,781
Loss per share	(0.01)	(0.01)	-	-

Three months ended	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Loss for the period	\$ 5,631,384	\$ 1,090,961	\$ 2,078,236	\$ 277,264
Total comprehensive loss	5,631,384	1,090,961	2,078,236	277,264
Loss per share	(0.02)	(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

	2021	2020	2019
	\$	\$	\$
Net loss	5,827,489	9,077,845	2,898,038
Comprehensive loss	5,849,891	9,077,845	3,066,005
Loss per share, basic and diluted	(0.02)	(0.04)	(0.02)
Total assets	6,393,895	1,794,498	1,391,705

Results of Operations for the Company for the Three and Twelve Months Ended December 31, 2021

Selected Financial Information

	Three months ended December 31, 2021	Three months ended December 31, 2020	Year ended December 31, 2021	Year ended December 31, 2020
Loss for the period	\$ 2,169,705	\$ 5,631,385	\$ 5,827,489	\$ 9,077,845
Comprehensive loss for the period	2,117,682	5,631,385	5,849,891	9,077,845
Loss per share	(0.01)	(0.02)	(0.02)	(0.04)
General and administrative:				
Consulting and management fees	\$ 222,995	\$ 188,277	\$ 1,616,374	\$ 754,394
Professional fees	581,619	29,196	689,425	139,350
General office expenses	64,704	39,901	170,734	167,926
Travel expenses	40,689	1,166	40,702	22,864
Shareholder communications and filing fees	67,069	23,654	290,349	140,035
	\$ 977,076	\$ 282,194	\$ 2,807,584	\$ 1,224,569
Exploration and evaluation expenditures:				
Consulting and technical	\$ 241,210	\$ 133,254	\$ 1,028,371	\$ 503,312
Feasibility study	735,012	-	1,106,500	-
Surface rights and consulting	47,237	32,080	185,815	103,436
Engineering studies	-	-	-	-
Field office support & administration	31,875	16,623	152,346	63,442
Travel	15,092	-	25,078	6,228
Professional fees	429	19,290	1,214	19,290
Environmental	66,382	-	159,657	-
	\$ 1,137,237	\$ 201,247	\$ 2,658,981	\$ 695,708
Non-cash:				
Stock-based compensation	\$ 83,735	\$ 73,261	\$ 338,309	\$ 794,605
Financing costs	(92)	175,089	52,528	331,985
Accretion	(10)	127,127	5,458	380,554
Change in fair value of warrant liability	-	4,809,496	-	5,657,561
Change in fair value of conversion option	13	(46,818)	(7,664)	62,777
	\$ 83,646	\$ 5,138,155	\$ 388,631	\$ 7,227,482

Three months ended December 31, 2021

Expenses

Consulting and Management Fees

Consulting and management fees were \$222,995 during the three months ended December 31, 2021 compared with \$188,277 in the same period in the prior year. This increase was primarily due to an increase in the number of staff in 2021 compared to the same period in 2020.

Professional Fees

Professional fees were \$581,619 during the three months ended December 31, 2021 compared with \$29,196 in the same period in the prior year. The increase is primarily due to the inclusion of a legal settlement with a former officer accrual at December 31, 2021 and legal fees incurred in connection with offtake contract negotiations that was not in the comparative period.

Shareholder Communications and Filing Fees

Shareholder communications and filing fees were \$67,069 during the three months ended December 31, 2021 compared with \$23,654 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 \$1,137,237 during the three months ended December 31, 2021 compared to \$201,247 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

600,000 stock options were granted during the three months ended December 31, 2021. 2,782,500 stock options were granted during the three months ended December 31, 2020. The vesting of stock options resulted in an expense during the three months ended December 31, 2021 of \$74,042 compared with \$63,928 during the three months ended December 31, 2020. The Company granted 52,989 deferred share units (“DSUs”) valued at \$9,693 during the three months ended December 31, 2021. The Company granted 135,417 deferred share units valued at \$9,233 during the three months ended December 31, 2020.

Cash Flows

Three months ended December 31, 2021

During the three months ended December 31, 2021, operating activities before working capital changes used cash of \$2,097,276 compared with a use of cash of \$667,324 during the three months ended December 31, 2020. 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 three months ended December 31, 2021 was \$2,209 primarily for equipment purchased, compared to cash provided by investing activities during the three months ended December 31, 2020 of \$1,071 for interest received. Cash provided by financing activities of \$60,709 for the three months ended December 31, 2021 was primarily due to option exercises, compared to cash used in financing activities of \$16,919 for the three months ended December 31, 2020, which was primarily related to share issuance costs.

Year ended December 31, 2021

Expenses

Consulting and Management Fees

Consulting and management fees were \$1,616,374 during the year ended December 31, 2021 compared with \$754,394 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.

Professional Fees

Professional fees were \$689,425 during the year ended December 31, 2021 compared with \$139,350 in the same period in the prior year. The increase is primarily due to the inclusion of a legal settlement with a former officer accrual at December 31, 2021 and legal fees incurred in connection with offtake contract negotiations that was not in the comparative period.

Shareholder Communications and Filing Fees

Shareholder communications and filing fees were \$290,349 during the year ended December 31, 2021 compared with \$140,035 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 \$2,658,981 during the year ended December 31, 2021 compared to \$695,708 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

1,700,000 stock options were granted during the year ended December 31, 2021. 9,042,500 stock options were granted during the year ended December 31, 2020. The vesting of stock options resulted in an expense during the year ended December 31, 2021 of \$267,393 compared with \$528,095 during the year ended December 31, 2020. The Company granted 259,164 deferred share units ("DSUs") valued at \$79,577 during the year ended December 31, 2021. The Company granted 3,566,367 DSUs valued at \$266,511 during the year ended December 31, 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 year ended December 31, 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 December 31, 2021. For the year ended December 31, 2021, the Company recorded a gain on the fair value of the conversion option of \$7,664 (loss of \$42,860 for the year ended December 31, 2020) and accretion related to the liability component of \$5,458 during the year ended December 31, 2021 (\$380,554 for the year ended December 31, 2020). During the year ended December 31, 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

Year ended December 31, 2021

During the year ended December 31, 2021, operating activities before working capital changes used cash of \$5,360,252 compared with a use of cash of \$2,034,565 during the year ended December 31, 2020. 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 year ended December 31, 2021 was \$1,882,

primarily for interest earned, partially offset by equipment purchases, compared to cash used in investing activities during the year ended December 31, 2020 of \$48 primarily for equipment purchases. Cash provided by financing activities of \$9,004,036 was primarily related to the prospectus financing, combined with option and warrant exercises, compared to cash provided by financing activities of \$2,288,348 for the year ended December 31, 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 December 31, 2021, the Company had working capital of \$4,560,361 including cash of \$5,694,803 (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 \$646,000 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. This matter was recently resolved through an out of court settlement.

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 consolidated financial statements at December 31, 2021 as management has estimated that the vesting conditions would not be 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:

	Year ended December 31, 2021	Year ended December 31, 2020
Short term employee benefits	\$ 1,578,801	\$ 737,654
Share-based payments	240,423	690,279
	\$ 1,819,224	\$ 1,427,933

Officers and directors had 1,162,500 options vest during the year ended December 31, 2021 (6,913,500 for the year ended December 31, 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 \$646,000 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 December 31, 2021, the Company had \$601,633 (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 and estimates

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.

Certain contingencies also exist in the Company's assessment of its ability to continue as a going concern and require the exercise of significant judgment by management to assess the ability of the Company to continue as a going concern.

(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

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.

(iii) Functional currency

Functional currency is the currency of the primary economic environment in which the Company and each of its subsidiaries operate. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of underlying transactions, events and conditions.

(iv) Fair value of financial instruments

Certain financial instruments, warrant liability and conversion option of convertible debentures, were measured at fair value. The estimated fair value of financial instruments, by their very nature, are subject to measurement uncertainty. The Company estimated fair value using valuation techniques that were appropriate in the circumstances and for which sufficient data were available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable input.

(v) Allowance for credit losses

The allowance for credit losses has been assessed by the Company's management based on the age of the amounts uncollected as at the end of the reporting period and management's experiences regarding the likelihood of payment. The allowance is assessed at the end of each reporting period and adjusted so that the net amounts receivable reflects the expected future collection of accounts.

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 reclassified 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 year ended December 31, 2021.

Transactions in foreign currencies are translated into the entities' functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position dates. Non-monetary items in a foreign currency are measured in terms of historical cost and are translated using the exchange rates on the dates of the initial transactions. All differences are taken to the consolidated statements of loss in the periods in which they arise.

Assets and liabilities of entities with functional currencies other than the US dollar are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive loss as cumulative exchange translation adjustments. There is no tax impact on this translation.

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 December 31, 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 December 31, 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 December 31, 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) 303,798,548 common shares outstanding.
- b) 11,205,500 stock options outstanding with expiry dates ranging from October 31, 2023 to November 5, 2026 with exercise prices ranging from CAD\$0.05 to CAD\$0.48. If exercised, 11,205,500 shares would be issued for proceeds of CAD\$1,276,934.
- c) 50,539,728 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, 50,539,728 shares would be issued for proceeds of CAD\$11,813,021.
- d) 9,326,054 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 Updated Feasibility Study and timing of delivery thereof, 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, meetings and negotiations with the Ukrainian government, the Investment Support Agreement, prices of commodities, the outlook on demand for iron ore in China, performance of the Company’s securities, geo-political situation in Ukraine and Russia, 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.



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

For the years ended December 31, 2021 and 2020

Independent Auditor's Report

To the Shareholders of Black Iron Inc.

Opinion

We have audited the consolidated financial statements of Black Iron Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainties related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We draw attention to Note 1 in the consolidated financial statements, which indicates that in February 2022, Ukraine was subject to what has been described as an invasion and an act of war. Management has advised that all Company work in Ukraine had been halted. The Company's status as a going concern is contingent upon the situation being stabilized such that the Company may continue its activities in Ukraine.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
<p><i>Change in Functional Currency – Note 3</i></p> <p>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.</p> <p>This change was applied to the consolidated financial statements prospectively.</p> <p>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, certain 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 entity's functional currency. 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.</p> <p>Existing warrants recorded as liabilities on January 1, 2021, the date of change in the functional currency, were reclassified as equity at their then estimated fair value.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Challenging the reasonableness of the key assumptions used by management in assessing functional currency; - Obtaining the working papers prepared by management to reflect the change in functional currency and assessing whether the change was properly applied; - Considering the impact of the change in functional currency on the treatment of the Company's warrants; - Challenging the reasonableness of the key assumptions used by management in reclassifying warrants as equity instruments; and - Assessing the adequacy and completeness of the relevant financial statement disclosures.

Warrants – Note 9

During 2020, the Company issued 30,000,000 warrants for facilitating and supporting the negotiations of a non-binding financing from a global investment bank. The warrants contain certain vesting conditions. The warrants continue to be outstanding during the year ended December 31, 2021.

Management has performed the valuation of the warrants using a valuation model. We considered the recognition of these warrants in connection with the vesting requirements to be a key audit matter as it involved management's judgement in determining the timing and likelihood of the vesting conditions being met.

Our audit procedures included, but were not limited to:

- Reviewing the key terms and conditions of the warrants issued;
- Obtaining the valuation model prepared by management and assessing whether the model was appropriate for valuing the warrants issued;
- Challenging the reasonableness of the key assumptions used by management in the model to calculate the fair value of the warrants;
- Challenging the reasonableness of the key assumptions used by management in the assessment of the likelihood and timing of vesting requirements being met; and
- Assessment of adequacy and completeness of the relevant financial statement disclosures.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's

ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 7, 2022

BLACK IRON INC.

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

For the year ended December 31, 2021 and 2020

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BLACK IRON INC.

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

	December 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 5,694,803	\$ 1,665,600
Amounts receivable and prepaid expenses	692,090	83,084
Total current assets	6,386,893	1,748,684
Prepaid and other (Note 11)	-	41,619
Equipment	7,002	4,195
Total assets	\$ 6,393,895	\$ 1,794,498
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6 and Note 10)	\$ 1,736,532	\$ 611,218
Total current liabilities	1,736,532	611,218
Non-current		
Warrant liability (Note 9)	-	6,521,549
Conversion option of convertible debenture (Note 11)	-	270,585
Liability component of convertible debenture (Note 11)	-	90,187
Loan payable (Note 12)	-	31,417
Total liabilities	1,736,532	7,524,956
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Common shares (Note 7)	84,092,549	72,563,431
Share based payments reserve (Note 8)	1,421,078	1,259,540
Warrant reserve (Note 9)	4,544,623	2,288
Accumulated other comprehensive loss	(17,681)	-
Accumulated deficit	(85,383,206)	(79,555,717)
Total shareholders' equity (deficiency)	4,657,363	(5,730,458)
Total shareholders' equity and liabilities	\$ 6,393,895	\$ 1,794,498

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 10 and Note 13)

Approved by the Board of Directors on March 7, 2022

"BRUCE HUMPHREY", Director

"JOHN DETMOLD", Director

BLACK IRON INC.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Expenses		
Consulting and management fees (Note 10)	\$ 1,616,374	\$ 754,394
Professional fees expense	689,425	139,350
General office expenses	170,734	167,926
Exploration and evaluation expenses (Note 5)	2,658,981	695,708
Share-based compensation (Note 8 and Note 10)	338,309	794,605
Travel expenses	40,702	22,864
Shareholder communications and filing fees	290,349	140,035
Change in fair value of warrant liability (Note 9)	-	5,657,561
Change in fair value of conversion option (Note 11)	(7,664)	62,777
Finance costs (Note 11)	52,528	331,985
Accretion (Note 11)	5,458	380,554
Loss (gain) on foreign exchange	6,967	(65,205)
Other income (Note 12)	(15,955)	-
Gain on sale of asset	(14,608)	-
Interest income	(4,111)	(4,709)
Net loss for the year	<u>\$ 5,827,489</u>	<u>\$ 9,077,845</u>
Other comprehensive loss		
Items that may be subsequently classified to net loss:		
Cumulative exchange translation adjustments	22,402	-
Total other comprehensive loss	<u>22,402</u>	<u>-</u>
Comprehensive loss for the year	<u>\$ 5,849,891</u>	<u>\$ 9,077,845</u>
Basic and diluted loss per share (Note 14)	(\$0.02)	(\$0.04)
Weighted average number of common shares outstanding - basic and diluted (Note 14)	282,164,092	226,009,275

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 year	-	-	-	(9,077,845)	-	-	(9,077,845)
Stock option expiry (Note 8)	-	-	(68,705)	68,705	-	-	-
Stock option forfeiture (Note 8)	-	-	(5,092)	5,092	-	-	-
Stock option exercise (Note 8)	750,000	37,785	(10,060)	-	-	-	27,725
Stock option vesting (Note 8)	-	-	528,095	-	-	-	528,095
Deferred share units (Note 8)	-	-	266,511	-	-	-	266,511
Warrant exercise (Note 9)	10,936,193	1,341,712	-	-	(732)	-	1,340,980
Warrant liability expiry (Note 9)	-	-	-	53,194	-	-	53,194
Conversion of debt to shares (Note 11)	25,419,816	1,851,798	-	-	-	-	1,851,798
Private placement (Note 7)	36,534,420	1,109,525	-	-	-	-	1,109,525
Cost of issue (Note 7)	-	(99,117)	-	-	-	-	(99,117)
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	-	-	-	(5,827,489)	-	(22,402)	(5,849,891)
Stock option plan (Note 8)	-	-	268,095	-	-	-	268,095
Stock option exercise (Note 8)	2,837,000	404,854	(174,170)	-	-	-	230,684
Stock option forfeiture (Note 8)	-	-	(13,614)	-	-	-	(13,614)
Deferred share units (Note 8)	-	-	81,227	-	-	-	81,227
Warrant exercise (Note 9)	9,358,333	2,697,106	-	-	(2,231,392)	-	465,714
Warrants reclassified (Note 9)	-	-	-	-	6,521,549	-	6,521,549
Warrant grant (Note 9)	-	-	-	-	252,178	-	252,178
Conversion of debt to shares (Note 11)	2,590,627	358,588	-	-	-	-	358,588
Prospectus financing (Note 7)	28,750,000	9,134,959	-	-	-	-	9,134,959
Cost of issue (Note 7)	-	(1,066,389)	-	-	-	-	(1,066,389)
Balance, December 31, 2021	303,475,548	84,092,549	1,421,078	(85,383,206)	4,544,623	(17,681)	4,657,363

BLACK IRON INC.

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

	Year ended December 31, 2021	Year ended December 31, 2020
OPERATING ACTIVITIES		
Net loss for the year	\$ (5,827,489)	\$ (9,077,845)
Adjustment for:		
Share-based compensation (Note 8)	338,309	794,605
Interest income	(4,111)	4,709
Change in fair value of warrant liability (Note 9)	-	5,657,561
Change in fair value of conversion option of the convertible debenture (Note 11)	(7,664)	62,777
Accretion (Note 11)	5,458	380,554
Non-cash financing costs (Note 11)	139,792	139,792
Other income (Note 12)	(15,955)	-
Depreciation	3,186	3,282
Net cash outflow before working capital changes	(5,368,474)	(2,034,565)
Net change in non-cash working capital	411,924	319,767
Cash used in operating activities	(4,956,550)	(1,714,798)
FINANCING ACTIVITIES		
Private placement (Note 7 and Note 9)	9,134,959	1,306,546
Share issuance costs (Note 7 and Note 9)	(814,211)	(99,117)
Convertible debenture (Note 11)	-	353,442
Convertible debenture issuance costs (Note 11)	-	(69,115)
Warrant exercise (Note 9)	465,714	737,450
Option exercise (Note 8)	230,684	27,725
Loan proceeds (Note 12)	15,905	31,417
Loan repayment (Note 12)	(31,367)	-
Cash provided by financing activities	9,001,684	2,288,348
INVESTING ACTIVITIES		
Purchase of equipment	(5,993)	(4,757)
Interest received	4,111	4,709
Cash used in investing activities	(1,882)	(48)
Effect of exchange rate changes on cash	(14,049)	103,254
CHANGE IN CASH	4,029,203	676,756
CASH, beginning of year	1,665,600	988,844
CASH, end of year	\$ 5,694,803	\$ 1,665,600
SUPPLEMENTAL INFORMATION:		
Finder warrants issued	\$ 252,178	\$ -

BLACK IRON INC.

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

For the years ended December 31, 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 December 31, 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 consolidated 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	
		December 31, 2021	December 31, 2020
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

These consolidated 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 year ended December 31, 2021, the Company incurred a net loss of \$5,827,489 and as at December 31, 2021, reported an accumulated deficit of \$85,383,206 and working capital of \$4,650,361, including \$5,694,803 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.

In February 2022, Ukraine was subject to an invasion and an act of war. As of the date of approval of these consolidated financial statements, all Company work in Ukraine had been halted. The Company's status as a going concern is contingent upon the situation being stabilized such that the Company may continue its activities in Ukraine.

These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These consolidated 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.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

1. Nature of operations and going concern (continued)

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 property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2022.

Basis of measurement

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

3. Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of Black Iron Inc. and its subsidiaries for the years ended December 31, 2021 and 2020.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-company balances, income and expenses and unrealized gains and losses resulting from intra-company transactions are eliminated in full upon consolidation.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

Functional currency and foreign currency transactions

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 consolidated financial statements prospectively. The functional currency of the subsidiaries continue to be the US dollar. The consolidated financial statements continue to be presented in US dollars. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

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 reclassified as equity at their then estimated fair value. There were no changes in the value of these warrants recorded through the consolidated statement of loss for the year ended December 31, 2021.

Transactions in foreign currencies are translated into the entities' functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the consolidated statement of financial position dates. Non-monetary items in a foreign currency are measured in terms of historical cost and are translated using the exchange rates on the dates of the initial transactions. All differences are taken to the consolidated statements of loss in the periods in which they arise.

Assets and liabilities of entities with functional currencies other than the US dollar are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive loss as cumulative exchange translation adjustments. There is no tax impact on this translation.

Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

Amounts receivable are initially recognized when they are originated. All other financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

Subsequent measurement – Financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss. The Company has classified cash and amounts receivable as financial assets measured at amortized cost.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss.

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company’s only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL on initial recognition. The Company's financial liabilities include accounts payable and accrued liabilities, warrant liability, liability component of convertible debenture and the conversion option of the convertible debenture. Accounts payable and accrued liabilities, the liability component of convertible debenture, and the loan payable are each measured at amortized cost, while the warrant liability and conversion option of the convertible debenture are measured at FVPL. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – Financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – Financial liabilities at FVPL

Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

Provisions

General

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of operations.

Cash

Cash in the consolidated statements of financial position comprises cash at banks.

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.

Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs of initial search for mineral deposits and performing a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the consolidated statement of loss and until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mine development assets. Exploration and evaluation costs include an allocation of administration and salary costs as determined by management.

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Share-based payment transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received.

The Company has established a stock option plan to grant non-transferable equity settled options to purchase common shares to directors, officers, employees of and consultants to the Company. The number of common shares reserved for issuance will not exceed 10% of the total issued and outstanding common shares of the Company. The Company has the ability to grant for a maximum period of ten years from the date of grant.

Stock options vest over periods ranging from immediate to two years. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense in the period the options are vested, or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of stock options is credited to share capital. On expiry, any amount related to the initial value of the stock option is recorded to deficit.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

3. Significant accounting policies (continued)

Deferred share unit plan

Directors are granted Deferred Share Units (“DSUs”) under the terms of the Company’s DSU Plan. The fair value of DSUs at the time of award is determined with reference to the weighted average trading price of the Company’s common shares over the five trading days immediately preceding the date of award. The fair value of the DSUs, which are settled in common shares of the Company, is recognized as a share-based compensation expense with a corresponding increase in the share-based payment reserve.

Warrant liabilities

Certain warrants issued prior to January 1, 2021 had an exercise price denominated in Canadian dollars, and therefore, did not qualify for classification as equity as their exercise price was not in the Company’s former functional currency of the US dollar. These warrants were recorded 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. On January 1, 2021, with the change in functional currency of the Company’s Canadian parent entity, these warrants have met the requirement to be reclassified as equity instruments and have been reclassified in these consolidated financial statements at their estimated fair value on the date of reclassification.

Compound financial instruments (debentures)

Compound financial instruments issued by the Company prior to January 1, 2021 comprised convertible notes that were converted to share capital at the option of the holder.

The number of shares issued changed in response to the fair value of the shares at the time of conversion. Therefore, the conversion feature of the compound financial instrument did not qualify for classification as equity. The conversion feature of the compound financial instrument was considered a derivative liability and was measured at fair value using the Black-Scholes valuation method with changes in value being recorded in profit or loss. The liability component of the compound financial instrument was 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 was revalued at each period end with changes in fair value included in income or loss for the period. The liability component was measured at amortized cost using the EIR method.

BLACK IRON INC.

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

For the years ended December 31, 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 1 – IAS 1 was amended in February 2021. The IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – Accounting policies, changes in accounting estimates and errors (“IAS 8”) was amended in February 2021. The IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after 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.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

4. Critical judgements 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 consolidated 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.

Significant judgments in applying accounting policies and accounting estimates and judgements

The areas which require management to make significant judgments in applying the Company's accounting policies and accounting estimates and judgements 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. See Note 15.

(ii) Contingencies and estimates

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 judgement and estimates of the outcome of future events. See Note 13.

Certain contingencies also exist in the Company's assessment of its ability to continue as a going concern and require the exercise of significant judgement by management to assess the ability of the Company to continue as a going concern. See Note 1.

(iii) Mineral resource estimates

The figures for mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", 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.

BLACK IRON INC.

Notes to the consolidated financial statements
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For the years ended December 31, 2021 and 2020

4. Critical judgements and estimation uncertainties (continued)

Significant judgments in applying accounting policies and accounting estimates and judgements (continued)

(iv) Share-based payments and warrants

Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant 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. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(v) Estimation of decommissioning and restoration costs and the timing of expenditure

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(vi) Functional currency

Functional currency is the currency of the primary economic environment in which the Company and each of its subsidiaries operate. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of underlying transactions, events and conditions. See Note 3.

(vii) Fair value of financial instruments

Certain financial instruments, warrant liability and conversion option of convertible debentures, were measured at fair value. The estimated fair value of financial instruments, by their very nature, are subject to measurement uncertainty. The Company estimated fair value using valuation techniques that were appropriate in the circumstances and for which sufficient data were available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable input.

(viii) Allowance for credit losses

The allowance for credit losses has been assessed by the Company's management based on the age of the amounts uncollected as at the end of the reporting period and management's experiences regarding the likelihood of payment. The allowance is assessed at the end of each reporting period and adjusted so that the net amounts receivable reflects the expected future collection of accounts.

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5. Exploration and evaluation expenditures

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

	Year ended December 31, 2021	Year ended December 31, 2020
Consulting and technical	\$ 1,028,371	\$ 503,312
Feasibility study	1,106,500	-
Surface rights and consulting	185,815	103,436
Field office support and administration	152,346	63,442
Travel	25,078	6,228
Professional fees	1,214	19,290
Environmental	159,657	-
	\$ 2,658,981	\$ 695,708

The Company's principal activity is the exploration and development of its Shymanivske project. The Company's mining permit for the Shymanivske project expires in 2024.

6. Accounts payable and accrued liabilities

	December 31, 2021	December 31, 2020
Trade payables	\$ 827,708	\$ 555,630
Accruals	908,824	55,588
	\$ 1,736,532	\$ 611,218

Trade payables and accruals are non-interest bearing, unsecured and due on demand.

BLACK IRON INC.

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7. 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	2,837,000	230,684
Option valuation	-	174,170
Debenture conversion	2,590,627	358,588
Prospectus financing	28,750,000	9,134,959
Cost of issue	-	(1,066,389)
Balance, December 31, 2021	303,475,548	\$ 84,092,549

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 9). 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 \$814,211 (CAD\$1,025,011) and issued 1,340,201 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 9).

During the year ended December 31, 2021, the Company issued 2,590,627 shares on conversion for a final portion of the outstanding convertible debenture (25,419,816 shares converted for the year ended December 31, 2020) (Note 11).

BLACK IRON INC.

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For the years ended December 31, 2021 and 2020

8. 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	3,566,367	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	9,040,848	\$ 0.07	\$ 480,306	\$ 1,259,540
Granted	1,750,000	0.07	268,095	285,206	\$ 0.14	81,227	349,322
Exercised	(2,837,000)	0.06	(174,170)	-	-	-	(174,170)
Forfeited	(450,000)	0.20	(13,614)	-	-	-	(13,614)
Balance, December 31, 2021	13,080,500	\$ 0.12	\$ 859,545	9,326,054	\$ 0.14	\$ 561,533	\$ 1,421,078

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 year ended December 31, 2021, the Company granted 1,750,000 stock options (9,042,500 granted for the year ended December 31, 2020) and options vested with a total value of \$268,095 (\$528,095 for the year ended December 31, 2020).

350,000 of the options granted by the Company during the year ended December 31, 2021 vest in eight equal quarterly instalments commencing on the date of grant, 300,000 in four equal installments over 12 months commencing three months from the grant date, 450,000 option will vest subject to the Company reaching target share prices, and 650,000 vested immediately.

The weighted average exercise price of options exercised in the year ended December 31, 2021 was CAD\$0.10.

Subsequent to the year ended December 31, 2021, 150,000 options expired unexercised.

BLACK IRON INC.

Notes to the consolidated financial statements
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8. Share-based payments reserve (continued)

At December 31, 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 (\$)	Grant date share price	Black-Scholes Inputs			
						Expected volatility based on historical share prices	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
16-Feb-22	0.12	1,725,000	1,725,000	114,858	0.05	126%	5	0%	0.79%
31-Oct-23	0.08	300,000	-	14,987	0.08	135%	5	0%	2.42%
5-Dec-23	0.06	150,000	150,000	4,806	0.06	139%	5	0%	2.21%
9-Jan-24	0.05	1,950,000	1,950,000	52,960	0.05	114%	5	0%	1.82%
4-Mar-24	0.07	200,000	200,000	7,648	0.07	117%	5	0%	1.46%
18-Oct-24	0.08	250,000	250,000	9,051	0.08	109%	5	0%	1.56%
11-Mar-25	0.07	150,000	150,000	4,957	0.07	138%	5	0%	0.55%
15-Jun-25	0.10	4,323,000	4,323,000	261,197	0.10	133%	5	0%	0.36%
7-Aug-25	0.15	2,582,500	1,986,875	120,988	0.14	135%	5	0%	0.32%
1-Mar-26	0.42	150,000	150,000	-	0.44	120%	5	0%	0.81%
1-Mar-26	0.38	300,000	150,000	71,313	0.44	120%	5	0%	0.81%
18-May-26	0.48	350,000	350,000	108,741	0.45	118%	5	0%	0.95%
13-Aug-26	0.37	50,000	12,500	11,747	0.37	113%	5	0%	0.84%
5-Nov-26	0.31	300,000	-	33,970	0.31	114%	5	0%	1.36%
13-Dec-26	0.21	300,000	300,000	58,556	0.21	112%	3	0%	1.00%
		13,080,500	11,697,375	\$ 875,779					

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 year ended December 31, 2021, the Company granted 259,164 DSUs with a fair value of \$81,227 based on the quoted market price of the Company's common shares at the date of grant (3,566,367 DSUs with a grant date fair value of \$266,511 during the year ended December 31, 2020). As the DSUs will be settled in shares, the value of the DSUs is recorded in share-based payments reserve at the time of issue.

BLACK IRON INC.

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9. Warrants and warrant liability

At December 31, 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	\$ 42,735	\$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%
1,340,201	1,340,201	21-Jul-21	21-Jul-23	\$ 0.40	\$ 252,177	\$0.43	105%	2	0%	0.46%
50,539,728	20,539,728				\$ 7,845,233					

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 are not expected to be met. Management has estimated the fair value of these warrants based on information available. No value was recorded in the consolidated financial statements for these warrants at December 31, 2021, as vesting is not expected as at the date of these consolidated financial statements.

Warrant liability

Warrants that have their exercise prices denominated in currencies other than the Company's former 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 years 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
Reclassified from liability to equity	(28,477,860)	(6,521,549)
Balance, December 31, 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. See Note 3.

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9. Warrants and warrant liability (continued)

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)
Reclassified from liability to equity	28,477,860	6,521,549
Granted	1,340,201	252,178
Balance, December 31, 2021	50,539,728	4,544,623

10. Related party transactions

Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 8) 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:

	Year ended December 31, 2021	Year ended December 31, 2020
Short term employee benefits	\$ 1,578,801	\$ 737,654
Share-based payments	240,423	690,279
	\$ 1,819,224	\$ 1,427,933

Officers and directors had 1,162,500 options vest during the year ended December 31, 2021 (6,913,500 for the year ended December 31, 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 \$646,000 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 December 31, 2021, the Company had \$601,633 (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.

BLACK IRON INC.

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11. 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 bore interest at 10% per annum and matured 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 9). 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 warrant liability was represented as equity warrants on January 1, 2021 at their then estimated fair value of \$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 9). 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 warrant liability was represented as equity warrants on January 1, 2021 at their then estimated fair value of \$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.

On the date of issuance, 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, as well as the warrant liability component (Note 9).

The Convertible Security and the Second Tranche were fully converted to equity during the year ended December 31, 2021. During the year ended December 31, 2021, the Company issued 2,590,627 shares on conversion of the outstanding convertible debenture (Note 7), converting CAD\$456,711 (\$358,588) of the face value of the convertible security to shares.

BLACK IRON INC.

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11. Convertible debenture (continued)

The Convertible Security and the Second Tranche were converted to common shares of the Company at a rate of no more than 1/20th of the face value of the Convertible Security and the Second Tranche in any given month and at a price per share equal to 85% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date.

On the date of issuance, 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 year ended December 31, 2021, accretion of the discount totaled \$5,404 (\$380,554 for year ended December 31, 2020).

On bifurcation of the various components of the compound financial instrument on issuance date, 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. On conversion and extinguishment of the debenture in 2021, the remaining balance of this prepaid and other asset was expensed.

Liability component of convertible debenture

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		5,458
Conversion		(95,591)
Effect of foreign exchange currency difference		(54)
Liability component as at December 31, 2021	\$	-

Conversion option of convertible debenture

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		(7,664)
Conversion		(262,997)
Effect of foreign exchange currency difference		76
Conversion option as at December 31, 2021	\$	-

BLACK IRON INC.

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12. 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 (\$31,367) unforgiveable portion of the loan was repaid in October 2021.

The forgivable portion of the loan in the amount of CAD\$20,000 (\$15,955) has been recognized in other income on the consolidated statement of loss for the year ended December 31, 2021.

13. Commitments and contingencies

Legal

A former officer of the Company had initiated legal action seeking compensation for a change of control payment in connection with Metinvest B.V.’s investment in the Company’s subsidiary in 2014. This matter was settled subsequent to December 31, 2021.

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 10.

Going Concern

See Note 1.

Perpetual Iron Inc.

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 consolidated financial statements at December 31, 2021 and 2020 as management has estimated that the vesting conditions are not expected to be met.

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13. Commitments and contingencies (continued)

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.

14. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Basic and diluted weighted average number of shares for the year ended December 31, 2021 was 282,164,092 (226,009,275 for the year ended December 31, 2020).

The diluted loss per share for the years ended December 31, 2021 and 2020 exclude share purchase options, DSUs, warrants, and the conversion option of debenture of the Company as they were determined to be anti-dilutive. For the year ended December 31, 2021, basic and diluted loss per share was \$0.02 (\$0.04 for the year ended December 31, 2020).

15. Income taxes

(i) Provision for income taxes

Major items causing the Company's effective tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2020 – 26.5%) were as follows:

	2021	2020
Accounting loss before income tax	\$ 5,827,489	\$ 9,077,845
Canadian Statutory Tax Rate	26.50%	26.50%
Expected income tax recovery based on statutory rate	\$ (1,544,000)	\$ (2,406,000)
Adjustment to expected income tax benefit:		
Stock based compensation	90,000	211,000
Expenses not deducted for tax purposes	(1,000)	1,617,000
Other	(234,000)	61,000
Change in benefit of tax assets not recognized	1,689,000	517,000
Deferred income tax provision (recovery)	\$ -	\$ -

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15. Income taxes (continued)

(ii) Temporary differences

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
Non-capital loss carry-forwards - Canada	\$ 49,907,000	\$ 45,462,000
Other - Canada	782,000	108,000
Mineral property costs - Ukraine	2,499,000	2,403,000
Non-capital loss carry-forwards - Cyprus	1,261,000	1,110,000
Non-capital loss carry-forwards - Ukraine	1,988,000	1,640,000
Total	\$ 56,437,000	\$ 50,723,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(iii) Tax loss carry-forwards

The non-capital losses for Canadian income tax purposes of approximately \$49,907,000 expire between 2031 to 2041.

The non-capital losses for Cyprus can be carried forward for five years.

The Company carries on most of its operations in Ukraine. The Ukrainian tax system is characterized by numerous taxes; frequently changing legislation which may be applied retroactively; contradictory and wide interpretation of the law, and uncertain administrative practices of the tax authorities. All assessments of tax received by the Company have been accrued in these consolidated financial statements. While management believes that it has provided adequately for tax liabilities, based on its interpretations of applicable tax legislation, official pronouncements and court decisions, the relevant tax authorities could disagree and assess additional tax, the effect of which could be material to these consolidated financial statements.

16. Financial risk management objectives and policies

The Company's financial instruments comprise cash, amounts receivable, accounts payable and accrued liabilities, warrant liability, liability component of convertible debenture, conversion option of convertible debenture, and loan payable.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are credit risk, liquidity risk and market risk.

Management reviews policies for managing each of these risks, which are summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable. The sensitivity has been prepared for the year ended December 31, 2021 using the amounts of other financial assets and liabilities held as at the consolidated statement of financial position date.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

16. Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets. With respect to credit risk arising from financial assets of the Company, which comprise cash and amounts receivable, the Company's exposure to credit risk arises from default of counterparty, with a maximum exposure equal to the carrying amount of these instruments. Cash balances are held with high credit quality financial institutions. The credit risk of the Company is considered minimal.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Company has procedures with the objective of managing such risk, such as monitoring cash flow on a continuous basis through short and medium-term cash planning and maintaining sufficient cash. The Company expects to complete future equity financings, as required and available.

The Company's financial liabilities at December 31, 2021 and 2020 include accounts payable and accrued liabilities that were based on contractual undiscounted payments that are all due in less than one year, the convertible debenture (Note 11) and the loan payable. The warrant liability as at December 31, 2020 has been reclassified to warrant reserve on January 1, 2021 upon the change of the Company's functional currency (Note 3).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to foreign currency risk and equity price risk.

Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure as a result of investment in its subsidiaries.

A portion of the Company's transactions are carried out in other transactional currencies including the Canadian dollar and Ukrainian Hryvnia ("UAH") which are subject to currency fluctuations. The following summarizes the US dollar amounts of assets and liabilities denominated in other currencies at December 31, 2021:

		CAD		UAH
Cash	\$	5,680,452	\$	8,533
Amounts receivable		294,498		20,314
Accounts payable and accrued liabilities		(1,709,560)		(23,065)
	\$	4,265,390	\$	5,782

A \$0.01 strengthening or weakening of the US dollar against the Canadian dollar at December 31, 2021 would result in an increase or decrease in the operating loss of \$59,000. A \$0.01 strengthening or weakening of the US dollar against the UAH would result in an increase or decrease in operating loss of approximately \$1,600.

The Company has no interest rate risk as there are no outstanding bank borrowings and no interest rate exposure, as the Company finances its operations primarily through share offerings.

BLACK IRON INC.

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

For the years ended December 31, 2021 and 2020

16. Financial risk management objectives and policies (continued)

Capital management

The capital of the Company consists of shareholders' equity (deficiency).

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2021 and 2020.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

17. Financial instruments

	Hierarchy level	December 31, 2021		December 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:					
Warrant liability	2	\$ -	\$ -	\$ 6,521,549	\$ 6,521,549
Conversion option of convertible debentures	3	-	-	270,585	270,585

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the consolidated statements of financial position. These have been prioritized into three levels.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgement.

The fair values of other short-term financial instruments, including cash, amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the short period of time to maturity. The warrant liability (Note 9) and the conversion option of the convertible debenture (Note 11) have been classified as level two within the fair value hierarchy and include inputs that are observable other than quoted prices.

During the years ended December 31, 2021 and 2020, there were no transfers between the levels within the fair value hierarchy.

BLACK IRON INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2022

Date: May 5, 2022

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 months ended March 31, 2022. 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 months ended March 31, 2022 and the consolidated financial statements for the year ended December 31, 2021. The consolidated 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 financial statements for the three months ended March 31, 2022, 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 - Outbreak of War in Ukraine

The Company’s future operations may be affected by the war between Russia and Ukraine. On February 24, 2022, Russia launched an invasion of Ukraine, and as of the date hereof, is still ongoing. As a result, the international community has responded with a variety of sanctions on Russia and companies have withdrawn products and services from Russia. Any further escalation, imposition of sanctions in areas which the Company operates, outbreak of war into other countries or regions or other escalation may have a material adverse effect on the Company’s ability to develop the Project due to, among other factors, diversion of resources of the Ukrainian government to resolving such conflict particularly from its Ministry of Defence who hold essential land for Project development, withdrawal of the Company’s personnel from Ukraine for their safety, difficulty in getting foreign consultants on site, inability to secure financing due to increased risk profile of the Project, destruction of property due to the Ukraine war or expropriation or de-facto expropriation of the Project and all associated assets. The Company continues to monitor the situation and maintains an open dialogue with the Ukrainian government, although there is no assurance the current efforts to progress the Project will not be adversely affected by geo-political tensions.

While management believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances, a continuation of the current business environment could negatively affect the Company’s results and financial position in a manner not currently determinable. The condensed consolidated financial statements reflect management’s current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

Highlights

- On March 2, 2022, Black Iron announced that RAB Capital, the Company’s largest shareholder, increased its ownership position in the Company to approximately 15%, citing the high purity and high-grade iron ore expected from the Shymanivske project, the strong management of the Company, and the future long term prospects of both Ukraine and the Shymanivske project beyond the current conflict in the region.
- Wood Plc informed Black Iron that publication of the updated Shymanivske iron ore project feasibility study (the “**Study**”) cannot occur until there is peace in Ukraine and it is possible to visit site. To meet the requirements for a National Instrument 43-101 feasibility study, at the time of report publication, it needs to be reasonably justified that extraction can occur, the envisaged infrastructure including power, rail and port are operational and foreign exchange rate more predictable.
- As of writing, all of Black Iron’s team members are safe. Management in Canada have helped arrange the relocation of some of the women and children from families we employ to other countries and provided additional funds to those remaining in Ukraine to help cover essential costs.

Since extensive work has been conducted to bring the Study to a near completed state, upon there being peace in the Dnipropetrovsk region of Ukraine where Black Iron's Shymanivske project (the "**Project**") is located, the Company plans to reengage companies that contributed to the Study to finalize it for publication. As a minimum this will entail verifying the operational status of all infrastructure, updating all costs previously quoted in Ukrainian hryvnia and any other costs that may have materially changed.

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 an initial ten year period of time in exchange for providing a \$75 million finance facility to be used for project construction.

Subject to signing the negotiated binding offtake contract, 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 and share with Cargill a portion of the incremental sale price of its 3% higher (68%) iron content and low impurity magnetite product.

Selected Quarterly Financial Information

Three months ended	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
Loss for the period	\$ 2,212,205	\$ 2,169,705	\$ 2,073,752	\$ 897,499
Total comprehensive loss	2,171,703	2,117,682	2,151,274	900,154
Loss per share	(0.01)	(0.01)	(0.01)	-

Three months ended	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020
Loss for the period	\$ 686,533	\$ 5,631,384	\$ 1,090,961	\$ 2,078,236
Total comprehensive loss	680,781	5,631,384	1,090,961	2,078,236
Loss per share	-	(0.02)	(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

	2021	2020	2019
	\$	\$	\$
Net loss	5,827,489	9,077,845	2,898,038
Comprehensive loss	5,849,891	9,077,845	3,066,005
Loss per share, basic and diluted	(0.02)	(0.04)	(0.02)
Total assets	6,393,895	1,794,498	1,391,705

Results of Operations for the Company for the Three Months Ended March 31, 2022

Selected Financial Information

	Three months ended March 31, 2022	Three months ended March 31, 2021	Three months ended March 31,	Three months ended March 31,
Loss for the period	\$ 2,212,205	\$ 686,563	\$ 2,212,205	\$ 686,563
Comprehensive loss for the period	2,171,703	680,781	2,171,703	680,781
Loss per share	(0.01)	-	(0.01)	-
General and administrative:				
Consulting and management fees	\$ 219,856	\$ 205,979	\$ 219,856	\$ 205,979
Professional fees	84,534	26,543	84,534	26,543
General office expenses	40,388	42,482	40,388	42,482
Travel expenses	1,958	-	1,958	-
Shareholder communications and filing fees	50,616	70,681	50,616	70,681
	\$ 397,352	\$ 345,685	\$ 397,352	\$ 345,685
Exploration and evaluation expenditures:				
Consulting and technical	\$ 219,001	\$ 159,470	\$ 219,001	\$ 159,470
Feasibility study	1,271,367	-	1,271,367	-
Surface rights and consulting	111,571	48,029	111,571	48,029
Engineering studies	-	10,614	-	10,614
Field office support & administration	92,809	17,062	92,809	17,062
Travel	-	6,412	-	6,412
Professional fees	19,948	657	19,948	657
Environmental	25,138	-	25,138	-
	\$ 1,739,834	\$ 242,244	\$ 1,739,834	\$ 242,244
Non-cash:				
Stock-based compensation	\$ 87,295	\$ 43,617	\$ 87,295	\$ 43,617
Financing costs	-	52,009	-	52,009
Accretion	-	5,404	-	5,404
Change in fair value of conversion option	-	(7,588)	-	(7,588)
	\$ 87,295	\$ 93,442	\$ 87,295	\$ 93,442

Three months ended March 31, 2022

Expenses

Professional Fees

Professional fees were \$84,534 during the three months ended March 31, 2022 compared with \$26,543 in the same period in the prior year. The increase is primarily due to legal fees incurred in connection with offtake contract negotiations that was not incurred in the comparative period.

Exploration and Evaluation Expenditures

The Company recorded exploration and evaluation expenses of \$1,739,834 during the three months ended March 31, 2022 compared to \$242,244 in the prior year. This increase was primarily due to higher feasibility costs, consulting, and surface rights related to the Shymanivske Project.

Non-Cash Items

2,125,000 stock options were granted during the three months ended March 31, 2022. 750,000 stock options were granted during the three months ended March 31, 2021. The vesting of stock options resulted in an expense during the three months ended March 31, 2022 of \$70,611 compared with \$33,990 during the three months ended March 31, 2021. The Company granted 121,534 deferred share units (“DSUs”) valued at \$16,684 during the three months ended March 31, 2022. The Company granted 29,726 DSUs valued at \$9,627 during the three months ended March 31, 2021.

Cash Flows

Three months ended March 31, 2022

During the three months ended March 31, 2022, operating activities before working capital changes used cash of \$2,137,460 compared with a use of cash of \$503,103 during the three months ended March 31, 2021. Expenditures in the three months ended March 31, 2022 related to feasibility study costs, consulting and management fees and for consulting and technical work on the Shymanivske Project, compared to expenditures during the three months ended March 31, 2021 which were related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Cash received from investing activities during the three months ended March 31, 2022 was \$12,868, primarily for interest earned, partially offset by equipment purchases, compared to cash provided by investing activities during the three months ended March 31, 2021 of \$346. Cash provided by financing activities of \$33,902 was from an option exercise, compared to cash provided by financing activities of \$44,200 for the three months ended March 31, 2022, which was primarily from option and warrant exercises.

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 March 31, 2022, the Company had working capital of \$3,865,755 including cash of \$3,358,719 (December 31, 2021 - \$5,694,803), compared with working capital of \$6,386,893 as at December 31, 2021. 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 \$656,000 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. This matter was recently resolved through an out of court settlement.

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 consolidated financial statements at March 31, 2022 as management has estimated that the vesting conditions would not be 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:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Short term employee benefits	\$ 169,355	\$ 212,901
Share-based payments	38,676	35,920
	\$ 208,031	\$ 248,821

Officers and directors had 300,000 options vest during the three months ended March 31, 2022 (787,500 for the three months ended March 31, 2021).

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 \$656,000 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 March 31, 2022, the Company had \$678,217 (December 31, 2020 - \$601,633) 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 condensed consolidated financial statements in conformity with IFRS requires the Company’s management to make judgments, estimates and assumptions about future events that affect the amounts reported in the condensed consolidated financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

(a) Significant judgments in applying accounting policies

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

(i) 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 and estimates

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.

Certain contingencies also exist in the Company's assessment of its ability to continue as a going concern and require the exercise of significant judgement by management to assess the ability of the Company to continue as a going concern.

(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

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.

(iii) Functional currency

Functional currency is the currency of the primary economic environment in which the Company and each of its subsidiaries operate. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of underlying transactions, events and conditions.

(iv) Fair value of financial instruments

Certain financial instruments, warrant liability and conversion option of convertible debentures, were measured at fair value. The estimated fair value of financial instruments, by their very nature, are subject to measurement uncertainty. The Company estimated fair value using valuation techniques that were appropriate in the circumstances and for which sufficient data were available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable input.

(v) Allowance for credit losses

The allowance for credit losses has been assessed by the Company's management based on the age of the amounts uncollected as at the end of the reporting period and management's experiences regarding the likelihood of payment. The allowance is assessed at the end of each reporting period and adjusted so that the net amounts receivable reflects the expected future collection of accounts.

Significant Accounting Policies

The condensed 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, 2021, with the exception of the amendments to outlined below.

On January 1, 2022, amendments clarifying the costs of fulfilling an onerous contract under IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) came into affect. This amendment did not have a significant impact on the condensed consolidated interim financial statements.

On January 1, 2022, amendments related to recognition of proceeds from selling items before the asset is available for its intended use under IAS 16 – Property, Plant and Equipment (“IAS 16”) came into effect. This amendment did not have a significant impact on the condensed consolidated interim financial statements.

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 March 31, 2022.

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 March 31, 2022. 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, 2022 and ended on March 31, 2022 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) 303,798,548 common shares outstanding.
- b) 13,257,500 stock options outstanding with expiry dates ranging from October 31, 2023 to March 9, 2027 with exercise prices ranging from CAD\$0.05 to CAD\$0.48. If exercised, 13,257,500 shares would be issued for proceeds of CAD\$1,661,463.
- c) 50,484,728 warrants outstanding with expiry dates ranging from May 8, 2023 to December 22, 2025 with exercise prices between CAD\$0.06 and CAD\$0.40. If exercised, 50,484,728 shares would be issued for proceeds of CAD\$11,706,522.
- d) 9,447,588 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 Updated Feasibility Study and timing of delivery thereof, 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, meetings and negotiations with the Ukrainian government, the Investment Support Agreement, prices of commodities, the outlook on demand for iron ore in China, performance of the Company's securities, geo-political situation in Ukraine and Russia, 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.



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

For the three months ended March 31, 2022 and 2021

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

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**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.

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

	March 31, 2022	December 31, 2021
ASSETS		
Current		
Cash	\$ 3,358,719	\$ 5,694,803
Amounts receivable and prepaid expenses	507,036	692,090
Total current assets	3,865,755	6,386,893
Equipment	6,684	7,002
Total assets	\$ 3,872,439	\$ 6,393,895
LIABILITIES		
Accounts payable and accrued liabilities (Note 5 and Note 9)	\$ 1,265,582	\$ 1,736,532
Total liabilities	1,265,582	1,736,532
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Common shares (Note 6)	84,144,021	84,092,549
Share based payments reserve (Note 7)	1,394,187	1,421,078
Warrant reserve (Note 8)	4,543,066	4,544,623
Accumulated other comprehensive loss	22,821	(17,681)
Accumulated deficit	(87,497,238)	(85,383,206)
Total shareholders' equity (deficiency)	2,606,857	4,657,363
Total shareholders' equity and liabilities	\$ 3,872,439	\$ 6,393,895

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 9 and Note 10)

Approved by the Board of Directors on May 5, 2022

"BRUCE HUMPHREY", Director

"JOHN DETMOLD", Director

BLACK IRON INC.

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Expenses		
Consulting and management fees (Note 9)	\$ 219,856	\$ 205,979
Professional fees expense	84,534	26,543
General office expenses	40,388	42,482
Exploration and evaluation expenses (Note 4)	1,739,834	242,244
Share-based compensation (Note 7 and Note 9)	87,295	43,617
Travel expenses	1,958	-
Shareholder communications and filing fees	50,616	70,681
Change in fair value of conversion option	-	(7,588)
Finance costs	-	52,009
Accretion	-	5,404
Loss on foreign exchange	737	5,824
Interest income	(13,013)	(632)
Net loss for the period	\$ 2,212,205	\$ 686,563
Other comprehensive loss		
Items that may be subsequently classified to net loss:		
Cumulative exchange translation adjustments	(40,502)	(5,782)
Total other comprehensive loss	(40,502)	(5,782)
Comprehensive loss for the period	\$ 2,171,703	\$ 680,781
Basic and diluted loss per share	(\$0.01)	\$ 0.00
Weighted average number of common shares outstanding - basic and diluted	303,666,409	262,226,506

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, 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 for the period	-	-	-	(686,533)	-	5,752	(680,781)
Stock option vesting (Note 7)	-	-	33,990	-	-	-	33,990
Stock option exercise (Note 7)	360,000	44,813	(18,678)	-	-	-	26,135
Deferred share units (Note 7)	-	-	9,627	-	-	-	9,627
Warrant exercise (Note 8)	25,000	2,500	-	-	(732)	-	1,768
Warrant grant (Note 8)	-	-	-	-	6,521,549	-	6,521,549
Conversion of debt to shares	2,590,627	358,588	-	-	-	-	358,588
Balance, March 31, 2021	262,915,215	72,969,332	1,284,479	(80,242,250)	6,523,105	10,473	545,139
Balance, December 31, 2021	303,475,548	84,092,549	1,421,078	(85,383,206)	4,544,623	(17,681)	4,657,363
Net loss and comprehensive loss	-	-	-	(2,212,205)	-	40,502	(2,171,703)
Stock option plan (Note 7)	-	-	70,611	-	-	-	70,611
Stock option exercise (Note 7)	323,000	51,472	(17,570)	-	-	-	33,902
Stock options expired (Note 7)	-	-	(96,616)	96,616	-	-	-
Deferred share units (Note 7)	-	-	16,684	-	-	-	16,684
Warrant expired (Note 8)	-	-	-	1,557	(1,557)	-	-
Balance, March 31, 2022	303,798,548	84,144,021	1,394,187	(87,497,238)	4,543,066	22,821	2,606,857

BLACK IRON INC.

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,212,205)	\$ (686,533)
Adjustment for:		
Share-based compensation (Note 7)	87,295	43,617
Interest income	(13,013)	632
Change in fair value of conversion option of the convertible debenture	-	(7,588)
Accretion	-	5,404
Non-cash financing costs	-	139,792
Depreciation	463	1,573
Net cash outflow before working capital changes	(2,137,460)	(503,103)
Net change in non cash working capital	(292,888)	143,581
Cash used in operating activities	(2,430,348)	(359,522)
FINANCING ACTIVITIES		
Warrant exercise (Note 8)	-	1,768
Option exercise (Note 7)	33,902	26,135
Loan payable	-	16,297
Cash provided by financing activities	33,902	44,200
INVESTING ACTIVITIES		
Purchase of equipment	(145)	(236)
Interest received	13,013	632
Cash provided by investing activities	12,868	396
Effect of exchange rate changes on cash	47,494	(183,746)
CHANGE IN CASH	(2,336,084)	(498,672)
CASH, beginning of period	5,694,803	1,665,600
CASH, end of period	\$ 3,358,719	\$ 1,166,928

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

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 March 31, 2022, 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 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	
		March 31, 2022	December 31, 2021
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

These unaudited condensed consolidated 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 three months ended March 31, 2022, the Company incurred a net loss of \$2,212,205 and as at March 31, 2022, reported an accumulated deficit of \$87,497,238 and working capital of \$3,865,755, including \$3,358,719 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.

In February 2022, Ukraine was subject to an invasion and an act of war. As of the date of approval of these condensed consolidated financial statements, all Company work in Ukraine had been halted. The Company's status as a going concern is contingent upon the situation being stabilized such that the Company may continue its activities in Ukraine.

These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These condensed consolidated 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.

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

1. Nature of operations and going concern (continued)

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 property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

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, 2021.

Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, unless otherwise disclosed. The condensed consolidated 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 amendments to outlined below.

On January 1, 2022, amendments clarifying the costs of fulfilling an onerous contract under IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") came into effect. This amendment did not have a significant impact on the condensed consolidated interim financial statements.

On January 1, 2022, amendments related to recognition of proceeds from selling items before the asset is available for its intended use under IAS 16 – Property, Plant and Equipment ("IAS 16") came into effect. This amendment did not have a significant impact on the condensed consolidated interim financial statements.

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

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 March 31, 2022	Three months ended March 31, 2021
Consulting and technical	\$ 219,001	\$ 159,470
Feasibility study	1,271,367	-
Surface rights and consulting	111,571	48,029
Engineering studies	-	10,614
Field office support and administration	92,809	17,062
Travel	-	6,412
Professional fees	19,948	657
Environmental	25,138	-
	\$ 1,739,834	\$ 242,244

The Company’s principal activity is the exploration and development of its Shymanivske project. The Company’s mining permit for the Shymanivske project expires in 2024.

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

5. Accounts payable and accrued liabilities

	March 31, 2022	December 31, 2021
Trade payables	\$ 987,816	\$ 827,708
Accruals	277,766	908,824
	\$ 1,265,582	\$ 1,736,532

Trade payables and accruals are non-interest bearing, unsecured and due on demand.

6. Share capital

Authorized

Unlimited number of common shares without par value.

	Number of Common shares	Amount
Balance, December 31, 2020	259,939,588	\$ 72,563,431
Warrant exercise	9,358,333	465,714
Warrant valuation	-	2,231,392
Option exercise	2,837,000	230,684
Option valuation	-	174,170
Debenture conversion	2,590,627	358,588
Prospectus financing	28,750,000	9,134,959
Cost of issue		(1,066,389)
Balance, December 31, 2021	303,475,548	\$ 84,092,549
Option exercise	323,000	30,107
Option valuation	-	21,365
Balance, March 31, 2022	303,798,548	\$ 84,144,021

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 \$814,211 (CAD\$1,025,011) and issued 1,340,201 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 8).

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

7. Share-based payments reserve

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSU	Weighted average exercise price CAD	Carrying amount of DSU	Total carrying amount
Balance, December 31, 2020	14,617,500	\$ 0.07	\$ 779,234	9,040,848	\$ 0.07	\$ 480,306	\$ 1,259,540
Granted	1,750,000	0.07	268,095	285,206	0.14	81,227	349,322
Exercised	(2,837,000)	0.06	(174,170)	-	-	-	(174,170)
Forfeited	(450,000)	0.20	(13,614)	-	-	-	(13,614)
Balance, December 31, 2021	13,080,500	\$ 0.12	\$ 859,545	9,326,054	\$ 0.07	\$ 561,533	\$ 1,421,078
Granted	2,125,000	0.12	70,611	121,534	\$ 0.15	16,684	87,295
Exercised	(323,000)	0.12	(17,570)	-	-	-	(17,570)
Expired	(1,625,000)	0.12	(96,616)	-	-	-	(96,616)
Balance, March 31, 2022	13,257,500	\$ 0.13	\$ 815,970	9,447,588	\$ 0.15	\$ 578,217	\$ 1,394,187

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 months ended March 31, 2022, the Company granted 2,125,000 stock options (750,000 granted for the three months ended March 31, 2021) and options vested with a total value of \$70,611 (\$33,990 for the three months ended March 31, 2021).

2,125,000 of the options granted by the Company during the three months ended March 31, 2022 vest in eight equal quarterly instalments commencing on the date of grant.

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

7. Share-based payments reserve (continued)

At March 31, 2022, 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 (\$)	Grant date share price	Black-Scholes Inputs			
						Expected volatility based on historical share prices	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
31-Oct-23	0.08	300,000	-	14,987	0.08	135%	5	0%	2.42%
5-Dec-23	0.06	150,000	150,000	4,806	0.06	139%	5	0%	2.21%
9-Jan-24	0.05	1,950,000	1,950,000	52,960	0.05	114%	5	0%	1.82%
4-Mar-24	0.07	200,000	200,000	7,648	0.07	117%	5	0%	1.46%
18-Oct-24	0.08	250,000	250,000	9,051	0.08	109%	5	0%	1.56%
11-Mar-25	0.07	100,000	100,000	3,304	0.07	138%	5	0%	0.55%
15-Jun-25	0.10	4,300,000	4,300,000	259,808	0.10	133%	5	0%	0.36%
7-Aug-25	0.15	2,582,500	2,446,094	120,988	0.14	135%	5	0%	0.32%
1-Mar-26	0.38	300,000	187,500	71,313	0.44	120%	5	0%	0.81%
18-May-26	0.48	350,000	350,000	108,741	0.45	118%	5	0%	0.95%
13-Aug-26	0.37	50,000	18,750	11,747	0.37	113%	5	0%	0.84%
5-Nov-26	0.31	300,000	75,000	33,970	0.31	114%	5	0%	1.36%
13-Dec-26	0.21	300,000	300,000	58,557	0.21	112%	3	0%	1.00%
9-Mar-27	0.12	2,125,000	265,625	154,980	0.12	107%	5	0%	1.65%
		13,257,500	10,592,969	\$ 912,860					

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 months ended March 31, 2022, the Company granted 121,534 DSUs with a fair value of \$16,684 based on the quoted market price of the Company's common shares at the date of grant (29,726 DSUs with a grant date fair value of \$9,627 during the three months ended March 31, 2021). 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 financial statements
(Expressed in U.S. dollars)

For the three months ended March 31, 2022 and 2021

8. Warrants

At March 31, 2022, 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
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	\$ 43,328	\$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%
1,340,201	1,340,201	21-Jul-21	21-Jul-23	\$ 0.40	\$ 252,177	\$0.43	105%	2	0%	0.46%
50,484,728	20,484,728				\$ 7,844,270					

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 are not expected to be met. Management has estimated the fair value of these warrants based on information available. No value was recorded in the condensed consolidated financial statements for these warrants at March 31, 2022, as vesting is not expected as at the date of these condensed consolidated financial statements.

Warrants that have their exercise prices denominated in currencies other than the Company's former 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.

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.

Warrant transactions during the periods presented were as follows:

	Number of Warrants	Fair value (\$)
Balance, December 31, 2020	30,080,000	2,288
Exercised	(9,358,333)	(2,231,392)
Reclassified from liability to equity	28,477,860	6,521,549
Granted	1,340,201	252,178
Balance, December 31, 2021	50,539,728	4,544,623
Expired	(55,000)	(1,557)
Balance, March 31, 2022	50,484,728	4,543,066

BLACK IRON INC.

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

For the three months ended March 31, 2022 and 2021

9. Related party transactions

Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 7) and are entitled to participate in the share compensation plan. The Company also has a 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:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Short term employee benefits	\$ 169,355	\$ 212,901
Share-based payments	38,676	35,920
	\$ 208,031	\$ 248,821

Officers and directors had 300,000 options vest during the three months ended March 31, 2022 (787,500 for the three months ended March 31, 2021).

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 \$656,000 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 March 31, 2022, the Company had \$678,217 (December 31, 2021 - \$601,633) 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.

BLACK IRON INC.

Notes to the condensed consolidated financial statements
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For the three months ended March 31, 2022 and 2021

10. Commitments and contingencies

Legal

A former officer of the Company had initiated legal action seeking compensation for a change of control payment in connection with Metinvest B.V.'s investment in the Company's subsidiary in 2014. This matter was settled in January 2022.

Environmental

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

Contracts

See Note 9.

Going Concern

See Note 1.

Perpetual Iron Inc.

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 financial statements at March 31, 2022 and 2021 as management has estimated that the vesting conditions are not expected to be 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.

