

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.