



ANNUAL INFORMATION FORM
For the year ended December 31, 2013

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March 14, 2014

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CAUTIONARY STATEMENT

This AIF (as defined herein) contains forward-looking information under Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's (as defined herein) expected production from, and further potential, of the Company's properties; the Company's ability to raise additional funds; the future price of minerals, particularly iron ore; the estimation of mineral resources and reserves; the realization of conclusions made in the Feasibility Study (as herein defined), conclusions of economic evaluations; the realization of mineral resource and reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities, costs and timing of exploration; timing and possible outcome of pending litigation and regulatory matters. In general, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made and is based on information currently available to management and upon what management believes to be reasonable assumptions. Estimates regarding the anticipated timing, amount and cost of exploration, and development and production activities are based on assumptions underlying mineral reserve estimates and the realization of such estimates. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include: development risks, risks related to government regulation, uncertainty in acquiring and maintaining necessary licences, permits and access rights, risks associated with foreign operations, dependence on one main mineral resource project, planning and environmental risks and liabilities, title risks, insurance risks, dependence on management and outside advisors, limited operating history, fluctuations in mineral prices, reduced global demand for steel or interruptions in steel production, no history of revenues, risks and hazards inherent in the mining industry, uncertainty of inferred mineral resources, conflicts of interest and other risks of the mining industry. Although management of 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 information. 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.

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED MINERAL RESOURCES

This AIF uses the terms "measured", "indicated" and "inferred" resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. United States investors are also cautioned not to assume that all or any part of an inferred mineral resource exists, or is economically or legally mineable.

CURRENCY PRESENTATION

This annual information form (the “AIF”) contains references to United States dollars and Canadian dollars. United States dollars are expressed as “US\$” and Canadian dollars are referred to as “\$”.

The closing, high, and low exchange rates for US\$1.00 (based on the noon spot rate of exchange) in terms of Canadian dollars for each of the three years ended December 31, 2013, 2012 and 2011, as reported by the Bank of Canada, were as follows:

U.S. Dollar	Year Ended December		
	2013	2012	2011
Closing	1.0636	\$0.9949	\$1.0170
High	1.0697	\$1.0397	\$1.0604
Low	0.9839	\$0.9683	\$0.9449

On March 14, 2014, the noon spot rate of exchange in United States dollars reported by the Bank of Canada was \$1.1087.

All information in this AIF is given as of March 14, 2014 unless otherwise indicated.

CORPORATE STRUCTURE

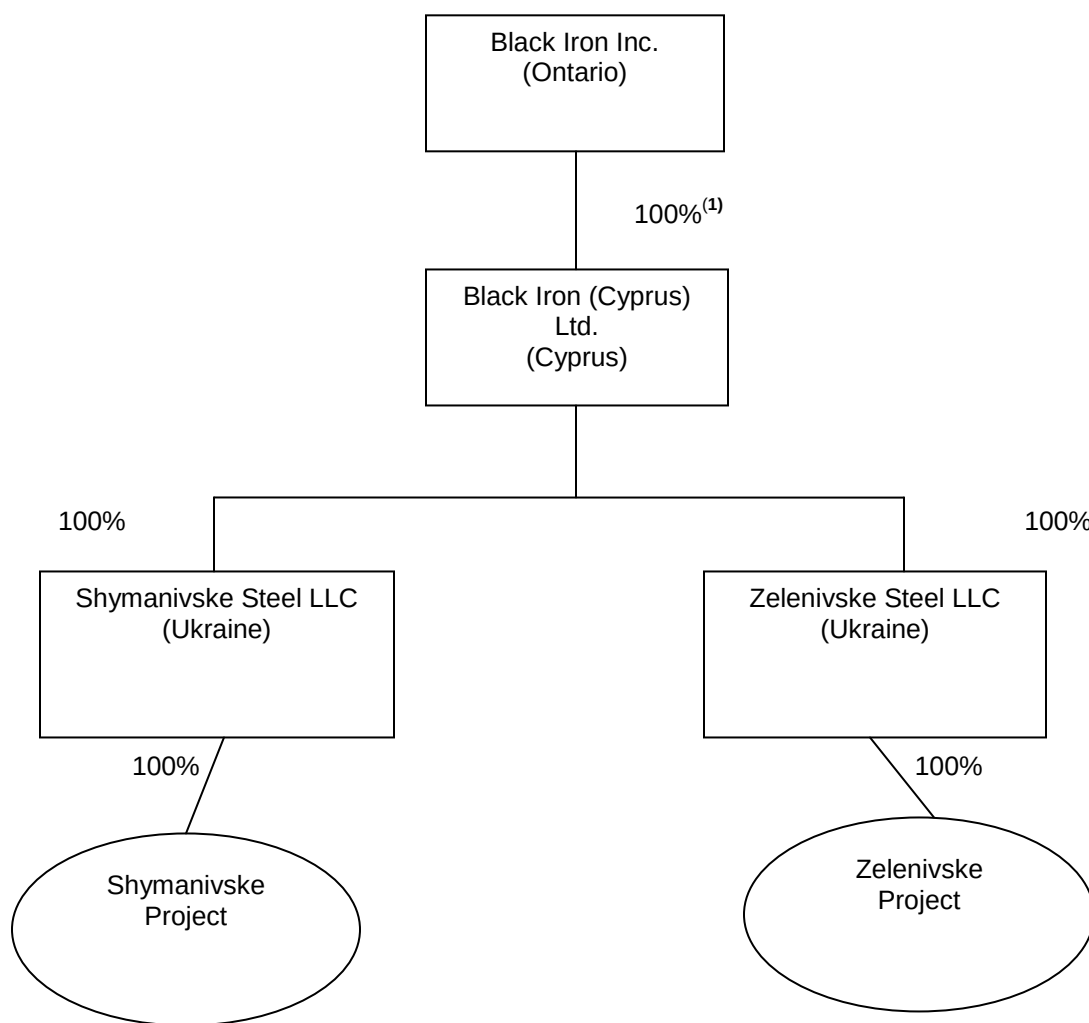
Name and Incorporation

Black Iron Inc. (“**Black Iron**” “or the “**Company**”) was incorporated on June 29, 2010, pursuant to the provisions of the *Business Corporations Act* (Ontario) (the “**OBCA**”) under the name “2248964 Ontario Inc.” On January 18, 2011, pursuant to Articles of Amendment, the Company changed its name to “Black Iron Inc.” The Company’s head and registered office is located at 65 Queen Street West, Suite 800, Toronto, Ontario, M5H 2M5.

Inter-corporate Relationships

The Company has three subsidiaries as set out in the corporate chart below, which also sets out the jurisdiction of incorporation of each subsidiary. Black Iron (Cyprus) Ltd. (the “**Cyprus Subsidiary**”) was incorporated on April 21, 2007. On January 12, 2011, the Cyprus subsidiary changed its name from “Geo-Alliance Ore East Limited” to “Black Iron (Cyprus) Ltd.”. Shymanivske Steel LLC (“**Shymanivske Steel**”) and Zelenivske Steel LLC (“**Zelenivske Steel**”) are both registered with the Ukrainian state registrar.

Unless otherwise indicated in this AIF, any reference to the “Company” refers to Black Iron and its subsidiaries.



Note:

(1) Pursuant to an agreement with Metinvest B.V., upon closing of the contemplated transaction, Metinvest B.V. will acquire 49% of this subsidiary's share capital. See *"Three-year History – Year Ended December 13, 2013."*

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

The following is a summary of the development of the Company over the past three financial years and the current financial year.

Current Financial Year

On February 20, 2014, the Company completed a bought-deal private placement of 17,680,000 units of the Company (each, a “**Unit**”). The Units were issued at a price of \$0.17 per Unit for aggregate gross proceeds to the Company of \$3,005,600. Each Unit consists of one common share of the Company (each a “**Common Share**”) and one common share purchase warrant (each a “**Warrant**”). Each Warrant will entitle the holder to purchase one common share of the Company at a price of \$0.25 until February 20, 2017. All securities issued pursuant to the private placement are subject to a four month hold period from the date of issuance.

On February 11, 2014, the Company’s subsidiary Shymanivske Steel LLC executed Protocol of Agreements (“**PIA**”) with several service providers in Ukraine for access to process, potable water supply and water process, public road usage, emergency and telecom services to the Shymanivske Project.

On January 23, 2014, the Company announced the results of its updated bankable feasibility study. See “*Description of the Shymanivske Project*”.

On January 15, 2014, the Company’s subsidiary Shymanivske Steel LLC executed a PIA with SE Prydniprovskaya Zaliznytsia (“**SE**”), the government agency responsible for Ukraine’s railways, to secure access to their rail transportation network to transport up to 20 million metric tonnes of iron ore annually from the Shymanivska Station near Black Iron’s Shymanivske Project to Chernomorska Station at Port Yuzhny, Ukraine.

Financial Year Ended December 31, 2013

During the financial year ended December 31, 2013, the Company focused its efforts on completing its feasibility study and finding a strategic partner.

On October 22, 2013, the Company’s subsidiary Shymanivske Steel LLC executed a PIA for power supply and obtained confirmation for natural gas supply to the Shymanivske Project. The PIA takes effect immediately and runs until a commercial contract is signed.

On July 23, 2013, the Company entered into definitive agreements with Metinvest B.V. (“**Metinvest**”) to form a development arrangement with Black Iron and to invest in BKI Cyprus. Pursuant to the terms of the agreement, Metinvest will make an initial investment of US\$20 million in the Company’s subsidiary in Black Iron (Cyprus) Ltd (“**BKI Cyprus**”), by way of a private placement, to help fund the projects, with potential investment amounts thereafter expected to increase during construction of the projects to approximately US\$250 to 300 million assuming debt financing of approximately 60% of the Shymanivske project. The initial investment will give Metinvest a 49% shareholding of BKI Cyprus’ share capital. There will not be an increase in shares outstanding in the Company as a result of these agreements. Black Iron will remain the operator and developer of both of its projects. Following closing of the initial investment, Metinvest will have the option to participate in the funding of the development of the projects based on its proportionate interest in BKI Cyprus or be diluted down.

In addition to the private placement of BKI Cyprus shares, Metinvest will also be granted a non-transferable option to acquire additional shares in BKI Cyprus to increase its effective ownership to 51% following the Shymanivske Project achieving full run rate production of 9.2 million tonnes per annum concentrate for three consecutive months. The option exercise price will represent a 30% premium over

the fair full net asset value as determined by an independent third party, and will expire twelve months after vesting.

On August 20, 2013, the Company selected Fluor Transworld Services, Inc., a subsidiary of Fluor Corporation, as its main Engineering, Procurement and Construction Management contractor for its Shymanivske Project.

On September 16, 2013, the Company's subsidiary Shymanivske Steel LLC executed a PIA with the Sea Terminal at Port Yuzhny to secure access to its rail car dumper, stockyard and port loading facilities to handle 9.5 million metric tonnes of iron ore annually (+/- 15%) at Port Yuzhny, Ukraine. The port PIA took effect immediately and remains in place until a full commercial contract is signed, which is expected to occur approximately mid-year 2015, closer to the commencement of production given the contract would likely be on a take or pay basis.

On September 26, 2013, the Company adopted a shareholder rights plan (the "**Rights Plan**"). The Rights Plan has been adopted to ensure, to the extent possible, that all shareholders of the Company are treated fairly and equally in connection with any potential take-over bid or other acquisition of control of the Company and that the Company's Board of Directors is provided with adequate time to evaluate such a take-over bid and, if appropriate, seek alternatives to maximize shareholder value. At the close of business September 26, 2013, one right was issued and automatically attached to each common share of Black Iron outstanding at that time without further action required by shareholders. A right will also attach to each common share issued from and after that date. The Company did not obtain shareholder approval for the Rights Plan and accordingly it will lapse on March 26, 2014.

Financial Year Ended December 31, 2012

In a letter dated March 1, 2012, notice from Ukraine's Ecological Inspectorate was given that based on a mid-February 2012 site inspection, the Company was issued a temporary suspension of activities on the Zelenivske and Shymanivske deposits for which Black Iron's management does not believe it violated any Ukrainian laws. The Company unsuccessfully challenged both of these suspensions in Court (Zelenivske on May 28, 2012 and Shymanivske on June 18, 2012). Zelenivske filed an appeal, that was overturned on December 18, 2012. The Company filed a cessation appeal for the Zelenivske case to the Higher Administrative Court of Ukraine on January 8, 2013. The Company also filed an appeal for the Shymanivske case to the Dnepropetrovsk Administrative Court of Appeal on January 18, 2013 and a hearing date of April 17, 2014 has been set. See "Risk Factors – Risks Relating to Government Regulation" and "Risk Factors - Uncertainty in Acquiring and Maintaining Necessary Licences, Permits and Access Rights".

A portion of the surface rights over Black Iron's Shymanivske property have been leased to neighbouring mining companies by the Kryviy Rih City Council on December 29, 2011. Acquisition of these surface rights is required to advance the project to production. The Company has initiated a legal proceeding to challenge the legitimacy of the processes of the Kryviy Rih City Council, as land owner, in granting these leases. The Court hearing on this matter on April 3, 2012 as well as subsequent appeals heard on June 7, 2012 and November 27, 2012 rejected Black Iron's assertion. Further, a second legal challenge has been initiated by the Company to have its rights for all project development activity (e.g. diamond drilling) acknowledged as the only entity, along with its subcontractors, authorized to perform work on the Shymanivske property. Black Iron believes it has the preferential right to acquire the Shymanivske property surface rights and the sole right to conduct mine development related works based on having been issued an extraction permit for the iron ore mineral rights for the Shymanivske property. The Court hearing this matter on March 27, 2012, as well as subsequent appeals heard on June 7, 2012 and November 27, 2012, rejected Black Iron's assertion. Management is continuing to evaluate and is actively pursuing a number of potential solutions to current permit suspensions. In particular, the Company is evaluating its ability to seek remedies for both of the above-noted legal cases via the *Bilateral Investment Treaty between the Government of Canada and the Government of Ukraine for the Promotion and Protection of Investments*. Management is confident that solutions are available that will

accommodate the implementation of the BFS. See “Risk Factors - Uncertainty in Acquiring and Maintaining Necessary Licences, Permits and Access Rights”.

Financial Year ended December 31, 2011

On March 29, 2011, the Company closed its initial public offering (the “IPO”) of 25,000,000 Common Shares at a price of \$1.40 per Common Share for aggregate gross proceeds of \$35,000,000. The Common Shares were listed for trading on the Toronto Stock Exchange under the symbol “BKI” on March 29, 2011. On April 29, 2011, the Company announced that the underwriters to the IPO exercised their over-allotment option to purchase an additional 2,555,200 Common Shares at a price of \$1.40 per Common Share for additional aggregate gross proceeds to the Company of \$3,577,280.

In July 2011, the Dnepropetrovsk Region Ecological Inspectorate temporarily suspended Black Iron’s drill program on both its Shymanivske and Zelenivske sites based on a number of mainly environmental related findings that Black Iron’s management did not believe violated Ukraine law. Although management tried to resolve these issues directly with the Dnepropetrovsk Region Ecological Inspectorate, mutually acceptable solutions could not be achieved so the inspector’s findings were challenged in court. In August 2011, the case against Zelenivske was heard by the Dnepropetrovsk District Administrative Court which rendered a decision in favour of the Company. In October 2011, the case against Shymanivske Steel was heard by the Dnepropetrovsk District Administrative Court which also rendered a decision in favour of the Company. These favourable rulings lifted the suspension order on drilling activity for both sites. The Dnepropetrovsk Region Ecological Inspectorate appealed both cases. The Ecological Inspectorate’s appeal with respect to the Zelenivske case was heard on May 31, 2012 and the Court ruled in the Ecological Inspectorate’s favour. Zelenivske Steel appealed this case to the Higher Administrative Court of Ukraine. The Ecological Inspectorate’s appeal with respect to the Shymanivske case was heard on February 26, 2013 and the Court ruled in the Ecological Inspectorate’s favour. Shymanivske Steel appealed this case to the Higher Administrative Court of Ukraine. The Higher Administrative Court rejected the Shymanivske Steel cassation and left unchanged the Resolution of the Dnepropetrovsk Administrative Court of Appeal in favour of the Ecological Inspectorate on February 12, 2014. See “Risk Factors – Risks Relating to Government Regulation” and “Risk Factors - Uncertainty in Acquiring and Maintaining Necessary Licences, Permits and Access Rights”.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Company is an iron ore development company with projects located in the Dnepropetrovsk region of Ukraine. On October 25, 2010, the Company acquired a 100% interest in a mining permit that covers an area of approximately 2.56 square kilometers and comprises the Shymanivske Project through Shymanivske Steel. In addition, the Company acquired a 100% interest in an exploration permit that covers an area of approximately 3.36 square kilometres and comprises the Zelenivske project through the acquisition of its wholly owned subsidiary, Zelenivske Steel. The Company intends to further explore and develop the Shymanivske Project into an iron ore mine and conduct further exploration on the Zelenivske project to determine its potential.

Competitive Conditions

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other exploration and mining companies in the search for, and acquisition of, mineral properties. As a result of this competition, many of whom have greater financial resources, the Company may be unable to acquire attractive mineral properties in the future on terms it considers acceptable. Moreover, due to the competitive market conditions which exist in Ukraine, such competitive conditions may negatively affect the Company through the exertion of political influence by the Company’s competitors or oligopoly conditions that may arise. The Company also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of

financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

The ability of the Company to acquire properties depends, to a large part, on its success in exploring and developing its present properties and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. The Company may compete with other exploration and mining companies for the procurement of equipment and for the availability of skilled labour. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. See "Risk Factors".

Foreign Operations

The Company's material property interests are currently located in Ukraine and are exposed to certain regulatory, economic, political and other risks and uncertainties. See "Risk Factors".

Environmental Regulation

The Company's exploration activities as well as any future development and mining activities are subject to environmental laws and regulations in Ukraine. See "Risk Factors". The Company maintains and will maintain a policy of operating its business in compliance with all environmental laws and regulations, as well as international best standards.

Employees

The Company currently has four full time and 14 part time consultants located in Canada and 14 full time and two part time consultants located in Ukraine. The Company's strategy is consistent with that of many junior mineral exploration and development companies being to operate through sub-contractors and consultants for the purposes of cost management.

Ukraine

Ukraine is a presidential parliamentary republic that achieved independence in 1991 with the dissolution of the Soviet Union.

Ukraine covers a total area of 603,638 square kilometres located in Eastern Europe bordering the Black Sea. The population is approximately 45.6 million people, making it the 29th largest country by population in the world. Steel is the largest industry in Ukraine and represents Ukraine's top export. According to the World Steel Association, Ukraine was the world's tenth largest producer in 2012. The economy has recovered since the financial crisis at the end of 2009 with GDP growth in 2010 and 2011 of 4.19% and 4.7%, respectively, according to IMF. Ukraine is rich in natural resources with production focused on ferrous minerals (iron ore and manganese), coal and ilmenite. As a result of the policies of the Soviet Union, the country's mineral deposits are relatively well explored but substantially under-exploited. The country's iron ore district is characterized by a 300 kilometre trend of sedimentary rock hosting a banded iron formation. There are an estimated 15 major iron ore mines located within the country's major iron ore district with seven operating mines located in the central Kryviy Rih Iron Basin.

According to U.S. Geological Survey, Ukraine produced 81 million tonnes of iron ore in 2011 and was expected to produce 81 million tonnes in 2012. Public iron ore/steel companies operating in Ukraine include ArcelorMittal which spent US\$4.8 billion acquiring the Kryviy Rih iron ore complex in 2005, which produced 10.42 million tonnes of iron ore concentrate in 2011, and Ferrexpo plc, which operates the Poltava iron ore mine located in Central Ukraine that produced 11.49 million tonnes of iron ore concentrate in 2011.

Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the

European Union in late November 2013. Political and social unrest, which escalated into violent conflicts in February 2014, has resulted in the Ukrainian parliament initiating the resignation of the president, change of government and heads of key governing bodies. It also led to the deepening of the ongoing economic crisis, widening of the state budget deficit, depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions. The new government has approached international lenders with the request to provide financing in order to stabilize the macroeconomic situation. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst 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 unstable business environment could negatively affect the Company's results and financial position in a manner not currently determinable. Notwithstanding these circumstances, all corporate development and related activities for Black Iron continue uninterrupted, both in and outside of Ukraine. Black Iron's Ukrainian staff continue to go to work, and prospective off-take partners and equipment vendors continue to investigate the potential of working with the Company, including routine site visits and team meetings in Ukraine.

The sooner a peaceful resolution can be achieved, the sooner the country can reassert itself as an attractive destination for foreign investment. Ukraine has opportunities ahead of it with significant mineral and agricultural wealth, fully built infrastructure systems for road, rail, power, and port, and a highly skilled, hard working population.

Ukrainian Mining Regime

The principal legislative acts governing mining activities in Ukraine are the *Code of Ukraine "On Subsurface"*, dated July 27, 1994 (the "**Subsurface Code**"), and the *Mining Law* of Ukraine, dated October 6, 1999.

The Subsurface Code defines the subsurface as "the part of the earth's crust underlying the land surface and reservoirs' bottom and stretching to the depths accessible for geological survey and development". The subsurface of Ukraine is the exclusive property of the people of Ukraine and may only be granted for use to Ukrainian and foreign legal entities and individuals.

Ukrainian legislation provides that national and foreign legal entities aiming to explore and/or extract mineral resources in Ukraine have to obtain special permit(s) for subsurface use (granted for exploration or extraction of minerals), mining allotment(s), and documents evidencing the allocation of a land plot for subsurface use, as provided by the land legislation of Ukraine. Moreover, subsurface users are subject to other requirements of Ukrainian law, in particular, relating to payments for subsurface use, insurance, environmental and other matters.

A company that intends to develop an unexplored deposit (being a deposit at which resources have not been estimated and approved by the Ukrainian State Commission on Mineral Reserves) must first obtain an exploration permit (geological survey) and carry out prospecting works at its own expense. In general the State Geology and Subsurface Service of Ukraine grants special permits for exploration for deposits to applicants for an initial period of up to five years (except for oil and gas deposits, granted for ten years), which may be extended up to two times for a further periods of not more than five years to the auctions' winners (in some cases special permit for exploration may be granted without auction). The special permit for exploration is subject to various conditions and may be suspended or revoked in specified circumstances. Prospecting work must begin within two years of the date of permit issue. Upon completion of the geological survey of the deposit, all discovered mineral reserves are subject to the state examination that certifies the sufficiency and completeness of the geological survey.

If, according to the expert reviewers report, the mineral reserves are estimated and approved as geologically surveyed, such reserves are further registered in the State Balance of Mineral Deposits, and

only then a company may apply for a special permit for extraction permits (commonly referred to as a “mining permit”) for resource development and a mining allotment.

The State Service for Mining Supervision and Industrial Safety grants mining allotments to applicants on submission of the mining permit, estimated reserves report and field development program. A mining company may also apply for a mining permit for a deposit that had been previously explored by the State and for which reserves are registered in the State Balance of Mineral Deposits, subject to payment for the geological data.

In general the State Geology and Subsurface Service of Ukraine grants mining permits for the extraction of mineral resources for an initial period of up to 20 years to the auction’s winners (in some cases mining permits may be granted without auction). A mining company may also apply to extend a mining permit, provided that certain conditions are met. The mining permit may be subject to special conditions relating, amongst other things, to the mining technology used, environmental protection, scope of work and termination of mining activities. In general, mining activities must begin within two years of the date of issue of the mining permit.

Generally, mining permits are not transferable, although they may be re-issued in the name of a legal successor (with certain limitations) of the original permit holder. Changes in the ownership structure of the permit holder do not affect the permit.

Both exploration and mining permits may be suspended or revoked, or an extension may be refused, in specified circumstances, including, inter alia, non-payment of fees, breach of permit conditions or breach of environmental or subsurface legislation.

Mining companies are also obliged to observe certain obligations as prescribed by Ukrainian legislation, which may be generally divided into mining and environmental. Such compliance is subject to regular audits conducted by state authorities. Failure to comply with the orders of the supervising authority may result in suspension and/or annulment of a mining permit, imposition of fines or criminal liability of relevant employees. Mining companies also pay fees for subsoil use (i.e. exploration and extraction works) that are calculated based on the type of mineral deposit, size and geological features of the deposit, duration of mining works and other factors.

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, including those discussed below, 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.

Development Risks

Substantial expenditures are required to develop a mine. No assurance can be given that the funds required for development can be obtained on a timely basis or at all. It is also possible that the actual capital cost, operating costs, other economic parameters and economic returns of any proposed mine may differ from those estimated and such differences could have a material adverse effect on the Company’s business, financial condition, results of operations and prospects.

The Company will also need to acquire additional property in order to develop the Shymanivske Project for tailings storage, waste rock and processing infrastructure. While the Company has commenced the process of acquiring additional property, this process has been delayed by the current political unrest in Ukraine and there can be no assurance that the Company will be able to acquire additional property on terms that are satisfactory to the Company or at all. In addition, there can be no assurance that the Company will be able to commence and complete development of the Shymanivske Project, the

Zelenivske Project or any other iron ore development project on time, on budget or at all due to, among other things, and in addition to those factors described elsewhere herein, a decline in iron ore prices, changes in the economics of the Shymanivske Project or Zelenivske Project; delays in receiving required consents, including obtaining and maintaining permits and licences; the delivery and installation of plant and equipment; cost overruns; governmental regulations, including regulations relating to permitting, licences, prices, taxes, royalties, infrastructure, land use, importing and exporting of commodities and environmental protection; or that the Company's personnel, systems, procedures and controls will be adequate to support operations. Should any of these events occur, it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Risks Relating to Government Regulation

The Company's mineral properties, exploration activities and future mining operations are subject to various laws and regulations governing mineral concession acquisition, mine development and prospecting, mining, production, occupational health and safety, labour standards, employment, waste disposal, toxic substances, land use, environmental protection, use of water, exports, taxes and other matters. It is possible that the Company may not be able to comply with existing and future laws and regulations. In addition, future changes in applicable laws, regulations, agreements or changes in their enforcement or regulatory interpretation could result in changes to the terms of the Company's permits and agreements, which could have a material adverse impact on the Company's current exploration activities and future development and operations. The Company may experience increased costs and delays in development and production as a result of the need to comply with applicable laws, regulations and permits. Permits are subject to the discretion of government authorities and there is no assurance that the Company will be able to obtain all required permits on reasonable terms or on a timely basis.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in enforcement actions thereunder including the suspension and/or annulment of the Company's mining and exploration permits, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, fines, penalties or other liabilities. The Company may be required to compensate those suffering loss or damage by reason of its mining operations and may become subject to civil liability or criminal liability of the management.

Risk Associated with Foreign Operations

Both of the Company's mineral projects are located in Ukraine and, accordingly, the Company is subject to risks normally associated with the exploration, development and production of mineral properties in Ukraine, as noted below under the risk factor entitled "Ukraine's Developing Legal System". The Company's business may be affected in varying degrees by political change and changes in government regulations relating to foreign investment and the mining industry. Ukraine's political and economic situation has deteriorated significantly since the Government's decision not to sign the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the European Union in late November 2013. Political and social unrest, which escalated into violent conflicts in February 2014, has resulted in the Ukrainian parliament initiating the resignation of the president, change of government and heads of key governing bodies. It also led to the deepening of the ongoing economic crisis, widening of the state budget deficit, depletion of the National Bank of Ukraine's foreign currency reserves and, as a result, a further downgrading of the Ukrainian sovereign debt credit ratings. In February 2014, following the significant devaluation of the national currency, the National Bank of Ukraine introduced certain administrative restrictions on currency conversion transactions. The new government has approached international lenders with the request to provide financing in order to stabilize the macroeconomic situation. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe effects on the Ukrainian economy.

Whilst 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 unstable business environment could negatively affect the Company's results and financial position in a manner not

currently determinable. Notwithstanding these circumstances, all corporate development and related activities for Black Iron continue uninterrupted, both in and outside of Ukraine. Black Iron's Ukrainian staff continue to go to work, and prospective off-take partners and equipment vendors continue to investigate the potential of working with the Company, including routine site visits and team meetings in Ukraine.

Future operations may also be affected in varying degrees by the current political instability and protests along with possible future labour unrest, terrorism, war or civil unrest, fluctuations in currency exchange rates and high inflation, and by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and environmental legislation and safety. Any such changes (including new or modified taxes or other governmental levies and new legislation) could have a material adverse effect on the Company's results of operations and financial condition. The Company cannot predict the government's future position on foreign investment, mining concessions, land tenure, environmental regulation or taxation. A change in government positions on these issues could adversely affect the Company's business and/or its holdings, assets and operations. Any changes in regulations or shifts in political conditions are beyond the Company's control and there is no assurance that current exploration activities and future mining operations will not be adversely affected by political, social or economic changes.

Dependence on One Mineral Resource Project

The Company's main mineral property is the Shymanivske Project. As a result, any adverse developments affecting this project or the Company's rights to develop this project could materially adversely affect the Company's business, financial condition and results of operations and prospects.

Limited Operating History

The Company has a limited history of operations. It is in the early stage of development and must be considered to be a start-up. Accordingly, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings.

Fluctuations in Mineral Prices

The Company's future profitability and long-term viability, including its ability to develop the Shymanivske Project and the Zelenivske Project will depend, among other factors, on the global market price of iron ore and the marketability of such minerals extracted from the Company's projects. The market price of iron ore is set in the world market and is affected by numerous factors beyond the Company's control, including the demand for steel, inflation, currency exchange fluctuations, interest rates, speculative activities, international political and economic trends, iron ore production levels, inventories, demand for industrial products containing metals, costs of substitutes, production costs, increased production due to new and improved extraction and production methods, sales by other producers (including prices negotiated by Vale SA, BHP Billiton Limited and Rio Tinto plc), global and regional consumption patterns, and demand and supply fundamentals. The aggregate effect of these factors on iron ore prices is impossible for the Company to predict, and an adverse decline in the price of iron ore could require the Company to cease exploration, development or operations at any or all of its projects.

Reduced Global Demand for Steel or Interruptions in Steel Production

The global steel manufacturing industry has historically been subject to fluctuations based on a variety of factors, including general economic conditions and interest rates. Fluctuations in the demand for steel can lead to similar fluctuations in iron ore demand. A decrease in economic growth rates could lead to a reduction in demand for iron ore, and therefore its price. Such changes may affect adversely the financial

condition of the Company, or require the Company to cease exploration, development or operations at any of its projects.

No History of Revenues

The Company has limited financial resources, has earned nominal revenue since commencing operations and has no source of operating cash flow. As well, there is no assurance that additional funding will be available to it for exploration and development as needed. The Company's expenses and capital expenditures will increase as the work of consultants, personnel and equipment associated with the exploration, and possible development, of the Shymanivske Project progresses. The Company expects to continue to incur losses until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will continue to require the commitment of substantial resources.

There can be no assurance that the Company will continue as a going concern, generate any revenues or achieve profitability. Furthermore, additional financing will be required to continue the development of the Company's properties even if the Company's exploration program is successful and technical and economic studies are positive. There is no assurance that the Company will be successful in obtaining the required financing or that such financing will be available on terms acceptable to the Company. In addition, any future financing may also be dilutive to existing shareholders of the Company.

Uncertainty in Acquiring and Maintaining Necessary Licences, Permits and Access Rights

Although the Company currently holds an extraction permit for the Shymanivske Project and exploration permit for the Zelenivske Project, the Company has no assurance that it will receive any permits, including environmental, drilling and surface rights permits, that are required to carry out further exploration, development and production activities on its properties, obtain them in a timely manner, or be able to maintain existing permits due to changes in regulation and political regimes. The failure to obtain or maintain such permits could adversely affect the Company's operations and consequently the value of the securities of the Company. The Company's exploration and development activities require permits and approvals from various government authorities, and are subject to extensive national, regional and local laws and regulations governing prospecting, exploration, development, production, transportation, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. The Company will be required to obtain additional licences and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, or commence construction or operation of mining facilities. Exploration and mining permits can be challenged by the Ukrainian authorities if they are able to find grounds that the mining permits were issued in violation of the procedures stipulated by Ukrainian law, including due to actions of the previous owner of the exploration and mining permits, who caused their reissuance to the Company's subsidiaries that currently own both permits.

Exploration and mining permits are granted by the State Geology and Subsurface Service of Ukraine. Exploration and mining permits are not granted in perpetuity and any extension must be obtained before expiration of the relevant permit. The Company has an extraction permit valid until November 1, 2024 on the Shymanivske property and an exploration permit valid until November 1, 2014 on the Zelenivske property. Both permits require certain work to be done and milestones reached in order to keep the permits in good standing.

Exploration and extraction permits may be suspended or revoked, or an extension may be refused, if the Company does not satisfy the conditions of its permit, including the payment of exploration and mining

fees, the commencement of work within the period stipulated in the permit and compliance with mining, environmental, health and safety regulations. There can be no assurance that the Company will be able to achieve compliance with all applicable regulations at all times.

The grant of the mining permit does not automatically confer upon the licensee rights of surface access to the permit areas and the Company is required to secure access agreements with the relevant landowners. The Company currently does not own the surface rights to its projects. Currently non-residents are prohibited from purchasing agricultural land in Ukraine and can only obtain a leasehold for up to 49 years. There is no assurance that the Company will be able to obtain the cooperation of the landowners and/or lessors or successfully negotiate access agreements on terms that are favourable to the Company. In addition, currently there is a mine service garage, waste dumps and several small houses located on or near the property that may need to be acquired, relocated and/or dismantled by the Company. Although the Company has commenced discussion in respect of the garage and waste dumps, surface rights over a portion of the Shymanivske property has been leased to two third parties, one of which is jointly owned by Metinvest. The Company will also need the permission from a neighbouring mine to build an under or overpass under or above its railway line in order to gain access to the land where the Company plans to locate its mine infrastructure.

Risks and Hazards Inherent in the Mining Industry

Iron ore exploration, development, and operations are highly speculative and are characterized by a number of significant inherent risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and may result in the inability to develop a project. Some of these risks include but are not limited to environmental hazards, industrial accidents, labour disputes, unusual or unexpected geologic formations or other geological or grade problems, unanticipated changes in metallurgical characteristics and mineral recovery, the inability to obtain suitable or adequate machinery, equipment or labour, the inability to obtain required capital, unanticipated ground or water conditions, wall slides, flooding, fires, power outages, periodic interruptions due to bad or hazardous weather conditions and other acts of nature, and unfavourable operating conditions. There is no assurance that the foregoing risks will not occur and inhibit, delay or cease the development of the Shymanivske Project, Zelenivske Project or other exploration or development activities, all of which would have a material and adverse impact on the Company's business, results of operations and financial condition.

Should any of these risks and hazards adversely affect the Company's future mining operations or exploration activities, it may cause an increase in the cost of operations to the point where it is no longer economically feasible to continue, it may require the Company to write down the carrying value of one or more mines or a property, it may cause delays or a stoppage in mineral exploration, development or production, it may result in damage to or destruction of mineral properties or processing facilities, and may result in personal injury or death or legal liability, all of which may have a material adverse effect on the Company's financial condition, results of operation, and future cash flows and could have an adverse effect on the value of the securities of the Company.

Uncertainty of Mineral Reserve and Resource

There are numerous uncertainties inherent in estimating mineral resources and the future cash flows that might be derived from their production. The estimation of mineralization is a subjective process and the accuracy of estimates is a function of quantity and quality of available data, the accuracy of statistical computations, and the assumptions and judgments made in interpreting engineering and geological information. In respect of mineral resource estimates, no assurance can be given that the anticipated tonnage and grades will be achieved, that the indicated level of recovery will be realized or that mineral resources will be upgraded to mineral reserve categories or mined or processed profitably. Estimates of mineral resources necessarily depend upon a number of variable factors and assumptions, including, among others, geological and mining conditions that may not be fully identified by available exploration data or that may differ from experience in current operations, historical production from the area compared with production from other producing areas, the assumed effects of regulation by governmental

agencies and assumptions concerning metal prices, exchange rates, interest rates, inflation, operating costs, development and maintenance costs, reclamation costs and the availability and cost of labour, equipment, raw materials and other services required to mine and refine the ore.

Estimates may have to be recalculated based on changes in mineral prices or further exploration or development activity. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence estimates. Market price fluctuations for minerals, increased production costs or reduced recovery rates, or other factors can adversely affect the economic viability of a project.

There can be no assurance that mineral recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. For these reasons, estimates of the Company's mineral resources, including classifications thereof based on probability of recovery may vary substantially. If the Company's actual mineral resources are less than its estimates, the Company's results of operations and financial condition may be materially impaired and there could be an adverse effect on the value of the securities of the Company.

Uncertainty of Inferred Mineral Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. The estimates of mineral resources contained in this AIF contain estimates of inferred mineral resources. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that the estimated tonnage and grades as stated will be achieved or that they will be upgraded to measured and indicated mineral resources or proven and probable mineral reserves as a result of continued exploration.

Planning and Environmental Risks and Liabilities

The Company's current exploration activities and future mining operations, including development and production activities, are subject to environmental regulations promulgated by the Ukrainian government and other agencies from time to time. The Company is subject to potential risks and unanticipated liabilities associated with pollution of the environment resulting from its exploration and future mining operations. There is no assurance that the Company will be able to obtain any required consents in a timely manner or at all. Environmental legislation may be changed in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect operations at the Company's Shymanivske Project and Zelenivske Project. Environmental hazards may exist on the relevant properties that are unknown to the Company at present.

To the extent the Company is subject to environmental liabilities, the payment of any liabilities or the costs that may be incurred to remedy environmental impacts would reduce funds otherwise available for exploration, development and operations. If the Company is unable to remedy an environmental problem fully, it may be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential financial exposure may be significant. The Company does not currently carry insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production).

There are a number of possible constraints to mine development, and the Company will need to carry out detailed assessments of all proposed activities to ensure that mineral development is carried out in accordance with applicable Ukrainian law and environmental regulations. In addition, prior to the commencement of mining operations, the Company will need to obtain certain permits and consents in accordance with Ukrainian law. There is no guarantee that all necessary permits and consents will be obtained.

Title Risks

The acquisition of title to resource properties or interests is a very detailed and time-consuming process. Title to the areas covered by the mining permits and exploration permits may be disputed. Title may be based upon interpretation of a country's laws, which may be ambiguous, inconsistently applied and subject to reinterpretation or change. While the Company has diligently investigated its title to, and rights over and interests in and relating to, the Shymanivske Project and the Zelenivske Project, there is no guarantee of title to any of the Company's properties, which may be subject to prior unregistered liens, agreements, transfers or claims, and rights may be affected by, among other things, undetected defects, technical deficiencies and irregularities in title.

Insurance Risk

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing and processing facilities, personal injury or death, environmental damage, delays in mining, and monetary losses and possible legal liability. The Company does not maintain insurance against all risks of operating its business. The Company's insurance policies do not provide coverage for all losses related to the Company's business and the payment of any such liabilities not covered by such insurance policies would reduce the funds available to the Company and could have a material and adverse effect on the Company's profitability, results of operation and financial condition.

Dependence on Management and Outside Advisors

The success of the Company's operations and activities is dependent to a significant extent on the efforts and abilities of its management team, as well as outside contractors, experts and other advisors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside contractors, experts and other advisors hired by the Company. The Company does not have in place a formal program for succession of management or training of management. The loss of one or more members of senior management, key employees or contractors could materially adversely affect the Company's operations and financial performance.

Currency Fluctuations

Iron ore is typically sold in U.S. dollars. The Company's operations are in Ukraine and the Company transfers money to its subsidiaries denominated in U.S. dollars as required with a portion converted to local Ukrainian Hryvnia. As a result, the Company is subject to foreign exchange risks relating to the relative value of the U.S. dollar as compared to the Ukrainian Hryvnia and to a lesser extent the Canadian dollar on its corporate office costs. The Company does not currently have any intention to enter into hedging contracts in connection with foreign currencies. To the extent that the Company generates revenues upon commencing production at the Shymanivske Project, it will be subject to foreign exchange risks as revenues will be received in U.S. dollars while the majority of operating and potentially some capital costs will also be incurred in Ukrainian Hryvnia. A decline in the U.S. dollar would result in a decrease in the real value of the Company's future potential revenues and adversely affect the Company's financial performance. The appreciation of the Ukrainian Hryvnia against the U.S. dollar would in U.S. dollar terms increase the costs of exploration and development of the Company's property, increase the future operating costs, and increase future taxes and royalties paid to the Ukrainian government.

Competition in the Mining Industry

The Company competes with other mineral exploration and mining companies for the acquisition of mineral claims, permits, concessions and other mineral interests as well as for the recruitment and retention of qualified employees. As a result of this competition, much of which is with large established mining companies with substantially greater financial and technical resources, the Company may be unable to acquire additional attractive mining concessions or financing on terms it considers acceptable. Increased competition could result in increased costs and reduced profitability. Moreover, due to the competitive market conditions which exist in Ukraine, such competitive conditions may negatively affect the Company through the exertion of political influence by the Company's competitors, or oligopoly conditions which may arise. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

Inability to Enforce Legal Rights in Certain Circumstances

The Company is organized under the laws of Ontario; however, its operating subsidiaries are organized under the laws of Ukraine. In the event a dispute arises in Ukraine or in another foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, given that a substantial portion of the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company or enforcing any judgments obtained in the Canadian courts and predicated on the civil liability provisions of Canadian securities legislation or other laws of Canada, against foreign persons or the Company.

Ukraine's Developing Legal System

Since independence in 1991, as Ukraine has been developing from a planned to a market-based economy, the Ukrainian legal system has also been developing to support this market-based economy. Ukraine's legal system is, however, in transition and is, therefore, subject to greater risks and uncertainties than a more mature legal system. In particular, risks associated with the Ukrainian legal system include, but are not limited to: (i) inconsistencies between and among the Constitution of Ukraine and various laws, presidential decrees, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iii) difficulty in predicting the outcome of judicial application of Ukrainian legislation; and (iv) the fact that not all Ukrainian resolutions, orders and decrees and other similar acts are readily available to the public or available in an understandably organized form.

Furthermore, several fundamental Ukrainian laws either have only recently become effective or are still pending in the Parliament. The recent origin of much of Ukrainian legislation, lack of consensus about the scope, content and pace of economic and political reform and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt, and result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities. These and other factors that have an impact on Ukraine's legal system make investment in the Company subject to greater risks and uncertainties than an investment in a country with a more mature legal system.

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains questionable. Although the Constitutional Court of Ukraine is the only body authorized to exercise constitutional jurisdiction and has been mostly impartial, the system of constitutional jurisdiction

itself remains complicated and, accordingly, it is difficult to ensure smooth and effective removal of discrepancies between the Constitution and applicable Ukrainian legislation on the one hand and among various laws of Ukraine on the other hand.

The court system lacks staffing and funding. Judicial decisions under Ukrainian law generally have no precedential effect. Moreover, courts themselves are generally not bound by earlier decisions taken under the same or similar circumstances, which results in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. Not all judicial decisions are publicly available and, therefore, the role of judicial decisions as guidelines in interpreting applicable Ukrainian legislation to the public is generally limited.

The Ukrainian judicial system became more hierarchical as a result of the recent judicial reforms. All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain. In addition, court claims are often used in furtherance of political aims. Finally, court orders are not always enforced or followed by law enforcement institutions. The uncertainties of the Ukrainian judicial system may have a negative effect on the Ukrainian economy as a whole, and thus may materially adversely affect the Company's business, financial condition, results of operations or prospects in Ukraine.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development. To the extent that such other companies may participate in ventures in which the Company may participate, there exists the possibility for such directors and officers to be or come into a position of conflict. In accordance with the laws of Ontario, directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In addition, such directors will declare and abstain from voting on any matter in which such directors may have a conflict of interest.

Taxes

The Company performs most of its operations in Ukraine and therefore is within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines and penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. These facts create tax risks greater than typically found in countries with more developed systems. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the Company, if the authorities were successful in enforcing their interpretations, could be significant.

DESCRIPTION OF THE SHYMANIVSKE PROJECT

The following is a summary from the updated feasibility study (the "**Feasibility Study**") entitled "Feasibility Study of the Shymanivske Iron Ore Deposit" dated January 24, 2014 (the "**Report**"), and prepared by Mr. Balaji Thangavel, P.Eng. PMP, Mr. Mauro O. Batista, P.Eng, Mr. Enayat Sharokni, P.Eng, all of Lycopodium Minerals Canada Ltd., Mr. Daniel Roy, B.Sc., Eng, of Soutex Inc., Mr. Eugene Puritch, P. Eng., of P&E Mining Consultants Inc., and Mr. Richard W. Risto, M.Sc., P.Geo, and Mr. Michael Kociumbas, B.Sc., P.Geo, both of Watts, Griffis and McOuat Limited ("**WGM**"). The Report was commissioned at the request of Black Iron management in respect to the Shymanivske Project and in compliance with NI 43-101. This summary was reviewed by Matt Simpson, P.Geo, President and Chief

Executive Officer of the Company and a “qualified person” as defined by NI 43-101. Unless specifically noted, the following disclosure regarding the Shymanivske Project has been prepared under the authority and supervision and with the consent of the authors, each being a “qualified person” within the meaning of NI 43-101, and, in some cases, is a direct extract from the Report. The full Report is available under the Company’s corporate profile on SEDAR at www.sedar.com.

Project Description and Location

The Shymanivske iron ore deposit is strategically situated in Ukraine between markets in Europe, Russia, Asia, and the Middle East. It is located 330 kilometres southeast from Kiev in central Ukraine, in the well-known KrivBass iron ore mining district. The mine site is eight kilometres from the city of Kryvyi Rih. The ArcelorMittal operations purchased in 2005 are located immediately to the north of the property and Southern Iron Ore Processing (YuGOK)’s property is located immediately to the south-east.

The Shymanivske Project operates under Special Permit No. 4537, granted on November 1, 2007, which covers an area of 2.56 square kilometres and is valid until 2024 with the option to renew in 20 year increments. This permit authorizes the extraction of the subsurface ferrous quartzite minerals from the Shymanivske deposit. In order to maintain the active mining license, compliance with a work program is required.

The proposed pit shell covers the majority of the Shymanivske license area. However additional land for the plant, tailings and waste-rock dumps is needed for the development of the Shymanivske Project. The east and south sides of the licence area face space limitations due to close proximity of active mine operations and infrastructure. However, on the north and west sides of the Shymanivske licensed territory, there is more than 3,000 ha of state-owned land currently being used by the Ministry of Defence, which is being sought to support project development and further expansions.

The area to the south is occupied by the village of Rudnichnoe that falls into the sanitary zone of the future open pit and will have to be relocated. In addition there is an old-mine service garage and reclaimed waste dumps owned by the neighbouring mines YuGOK and ArcelorMittal, which are located on the Shymanivske property and that will have to be moved by Black Iron. The Company has started discussions with YuGOK, ArcelorMittal and the local authorities with respect to the garage and partial waste dump removals.

A portion of the surface rights over the Shymanivske property has been leased to neighbouring mining companies by the Kryvyi Rih City Council. Acquisition of these surface rights is required to advance the Project to production. Black Iron has initiated a legal proceeding to challenge the legitimacy of the processes of the Kryvyi Rih City Council, as land owner, in granting these leases. Recently, at the request of the Kryvyi Rih City Mayor, a working group has been created to address land issues and find an out-of-court resolution.

Although Black Iron does not yet have all of the necessary surface rights to conduct mining activities on the Shymanivske Project, such rights are not required to conduct the on-going exploration and engineering activities. The next major permitting step for Black Iron is to obtain a Mining Allotment, which entails Government approval of the optimized pit shell, complete with environmental impact statement.

Black Iron is not aware of any environmental liabilities or any royalties attached to the Shymanivske property, other than levies that are payable to the Ukrainian State, currently estimated at US \$0.10 per tonne processed, based on the concentrate grade expected to be produced at the Shymanivske Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Shymanivske property is encompassed by road systems serving the city of Kryviy Rih and local mines. These roads are mostly paved. Although there is an airport in Kryviy Rih suitable for large commercial aircraft, international access is typically achieved using the Dnepropetrovsk International Airport which is serviced by multiple daily flights and is a 2.5 hour drive to site.

City institutions include universities and trade schools, which in large part exist to supply direct and indirect labour to the local iron ore mines. With the five operating mines in the area there is a well educated and large resource pool of workers that have expertise in iron ore mining operations.

The electrical power for the Project will be drawn from the existing “150kV Gornaya Substation,” owned by the local Power Utility Dneprovskaya ElectroEnergeticheskaya Systema –NEK Ukrenergo and located 30km east of the Black Iron site. UESP confirmed that the local Power Grid has sufficient spare capacity to deliver the required power to the Project and the the Gornaya Substation is currently only loaded at 30% of its full capacity. Process water for the plant will be provided by Yuzhnaya aeration plant. Water from the Yuzhnaya Aeration Plant is biologically treated prior to its use as make-up water. The maximum allotted withdrawal from the aeration plant is 15,700m³/d and is provided free of charge. Natural gas from the public distribution system is obtained from ZelenaBalka through a 100mm line with pressure of 410KPa. The source of potable water is the Karachunovskoe Reservoir, north of the plant via a seven-kilometre water pipeline. To date, the Company has signed Protocol of Intent (PIA)s with service providers for power, rail, port, water and natural gas. See *“General Development of the Business.”*

The government-owned Ukrainian National Rail System is located within two kilometres of the Shymanivske Property. There are five ports, ranging from 140 to 520 kilometres away from the site including Odessa, Kerch, Yuzhny, Izmail and Nikolaev. The port of Nikolaev is the closest and therefore the most economical port of export; however, there is a limited excess capacity of only 2Mtpa. The balance of the production will be routed to the privately-owned TIS-Ruda terminal located at the Yuzhny Port. Black Iron still needs to negotiate an operator’s agreement with the ports of Nikolaev and TIS-Ruda to define all port activities but does have a PIA in place for use of Port Yuzhny.

The climate of the Kryviy Rih region tends to generate warm summers and cold winters, with low precipitation and an average annual air temperature +8.3°C. The average temperature in January is -4.9°C. The maximum temperature in July is +38°C. The average depth of snow cover is 10 to 14 centimetres (“cm”) and the maximum depth of frost penetration is 0.8 to 1 metre (“m”). Relative humidity of the air during the winter period is about 80-85% and about 55-60% during summer. The average annual quantity of precipitation generally ranges from 400 to 600mm.

The property is rather flat-lying, with some gullies. It slopes generally to the south-east. Its central part is divided by the Tymashova Valley and its southeast side drops towards the Ingulets River. The highest altitudes of the property are in its western and eastern parts, at 122m ASL, while the central part is lower, ranging from 65m ASL down to 45m ASL. There are three old pits on the property, the vestiges of the mining of high grade mineralization and the extraction of limestone, clay, sand and gravel for building materials. Thin soil overlies flat-lying Cenozoic limestones and green and red clays, which vary in thickness from 9.7 to 21.2m with an average of 16m. Mine waste covers a significant portion of the property, particularly its west and east margins, leaving its centre corridor mostly free. On the basis of comparison of the present topography with data presented on historical drill cross-sections for the property, it is determined that waste rock in places is up to 30m thick.

The vegetation consists mainly of grassy pastures and shrubby areas. The village of Shimanovka previously occupied part of the Property but was removed several years ago to provide additional space for mine waste from YUGOK and NKODPE, which are the predecessors of ArcelorMittal.

History

Historical geological exploration has been carried out in the area covered by the Shymanivske deposit (formerly known as the Likhmanovsky syncline and Tarapako-Likhmanovsky anticline) since 1925, and can be divided into four periods: (i) the first period being up to 1965; (ii) the second period being from 1965-1978; (iii) the third period being from 1982-1984; and (iv) the fourth period being from 1985-1989.

In the period up to 1965, work was directed at achieving two goals: (i) drill testing the rich-iron (supergene) “oxidized quartzite” mineralization associated with the lithological contact between Gdantsev and Saksagan (or Saxagan depending on translation and spelling) sequence rocks (west margin of the Property); and (ii) exploratory drilling to test taconite-style mineralization for a proposed Shymanivske open pit mine.

From 1966 to 1978, exploration work was carried out by the Inguletsky GRP of Krivbassgeologiya Trust (“**Inguletsky GRP**”) and Central GDS of Krivbassgeologiya Trust (“**Central GDS**”). The work carried out by the Inguletsky GRP was aimed at achieving an estimate of mineralization and included metallurgical testwork. The program of Central GDS was aimed at evaluating the taconite - “un-oxidized quartzite” - mineralization. A total of nine holes aggregating 2,580 m were drilled.

From 1982 to 1985 a program was carried out to increase the mineral resource base of NKODPE (the previous owner of the adjacent iron mines now owned by ArcelorMittal Kryviy Rih). A total of 32 holes aggregating 9,902.6 m were drilled. From this work, “mineral resources” were estimated. Down hole geophysical surveys included measuring electrical, electromagnetic, magnetic and radioactivity components, as well as hydrological surveys.

During the period 1985 to 1986, exploration, drilling and testwork continued. In all, 96 holes aggregating 18,113 m were drilled, which form the basis of a new mineral resource estimate.

It is known that several underground mines once existed near the Shymanivske property. These mines are now obscured by the piles of mine waste from adjacent open-pit mines. There is an existing quarry, partially filled with water, located just SW of the Shymanivske property’s centre, approximately 212 m long (NNW-SSE) and 100 m wide (WNW-ESE) at surface. The quarry was allegedly excavated to provide limestone to test and evaluate its potential (a flat-lying unit of limestone overlies the older, folded rock sequence that includes the iron formation). The topographic survey by Abitibi Geophysics (Abitibi) shows that it is over 20 m deep, from water surface in pit to natural topographic level adjacent to pit. Observation by the authors of the Technical Report suggests it penetrates into the iron formation and is very close to where an accumulation of martite mineralization would be expected to occur. No other information concerning this quarry, besides its surface dimensions in plan, and its location is available.

Geological Setting

Regional Geology

The Shymanivske property is situated in the Kryviy Rih Basin (“**KrivBass**”), a Paleoproterozoic synclinorium structure in the Archean Ukrainian Shield. The KrivBass lies along the western edge of the Middle Dnieper block of the Shield adjacent to the Inhul-Inhulets, or Kirovograd Block. The basin extends approximately 85 km north to south and is 2 to 10 km wide. KrivBass is one of several Ukrainian iron formation-hosting Paleozoic basins on micro-plate boundaries.

The rocks in the basin or synclinorium as deformed by superimposed folds of several orders with amplitudes ranging from millimetres to kilometres. Several of the second order fold components have been named. After Belevtsev and Belevtsev, 1981, and from west to east, these major component folds are the Tarapako-Likhmanovakaya anticline, the Main Syncline and the Seksaganskaya anticline and syncline. The component fold structures tend to range from upright to slightly overturned. The larger folds have symmetrical hinges and asymmetric limbs. All folds are described as plunging gently northeast

at 15 to 20 degrees. The western margin of the synclinorium is cut by a steep regional thrust fault or fault zone. This fault largely separates the Archean basement from the KrivBass Paleoproterozoic sequence and provides egress of meteoric fluids to weather the iron formation

Property Geology

The Property geology appears analogous to the regional geology of the KrivBass in terms of both rock units and structure. The general structural alignment of rocks is NE-SW, parallel to the KrivBass. Similar to the regional context, the KrivBass Paleoproterozoic rocks, Skelevat to Gdantsev sequences, are deformed into a series of gently north-plunging sub-parallel first-order NE-SW folds, and have superimposed minor folding of multiple orders. The main fold components describe a tight to asymmetric anticline which, on the Property, includes the western part of the Paleoproterozoic sequence and a parallel trending open syncline that underlies the central and eastern parts of the Property.

The oldest rocks on the Property are the Archean-age basement rocks intersected by historic drill holes on the northwestern part of the Property. These rocks include granites with intercalated amphibolites that are part of the Novokrivoroshskaya or "New Kryviy Rih" Group. These rocks are cut by a series of NE-SW oriented steeply dipping to NW dipping faults. Eastwardly, the basement is succeeded by rocks of the younger Gdantsev Group. The Gdantsev rocks in fault, and/or unconformable contact with the older rocks, include quartz-biotite metasediments and perhaps minor iron formation.

A significant portion of the Shymanivske property surface is covered by mine waste rock from the adjacent YuGOK mine. Comparison of the present topography, as determined by Abitibi Geophysics surveys in April 2011, with the historic Soviet cross-sections, shows this waste rock is up to 30 m thick in some areas. Below this there is a thin soil which overlies Cenozoic karsted fossiliferous limestone. The limestone is generally 10 to 25 metres thick and drapes the flat, lying to the rolling weathered Paleoproterozoic surface. The upper surface of the Paleoproterozoic rocks immediately under the limestone is weathered. Where the upper weathered surface is iron formation, the magnetite has often been oxidized and some or all of the magnetite, depending on depth, has been converted to goethite/limonite. In some places, iron enrichment that is caused by silica leaching occurs. Some of the weathered iron formation approaches the grade of direct shipping ore. The strong weathering is generally restricted to a depth of less than six metres. This zone of sub-surface weathering thickens and merges with the fault zones or unconformity-controlled weathering and supergene iron enrichment, which exist on the western margin of the deposit along the Gdantsev-Saksagan contact. The oxidized iron layer can extend into areas not underlain by iron formation, and this material may be akin to canga.

Mineralization

Mineralization of economic interest on the Shymanivske property is the oxide facies iron formation or oxide facies banded iron formation and it is magnetite-rich taconite that contains minor hematite throughout. The iron formation on the property is mainly confined to the Saksagan sequence and is folded into a NE gently plunging anticline (west part of the deposit) and an adjacent open syncline (central and east parts of the deposit). The taconite extends the entire NE-SW extent of the property, 2.2 kilometres and beyond, and occurs over a width of 800m to 1km in a NW-SE direction. The taconite is folded and its true thickness varies throughout because of tectonic thickening, erosion and possibly the original basin topology. The true thickness of the iron formation package, including the intervening inter-oxide iron formation "slate" members, is in the order of 200 to 250 metres. Because of the folding, there is no consistent relationship between drill hole orientation and the true width of mineralization. Drill testing has been completed, generally to a vertical depth of 300 to 500 metres. Mineralization along the western margin of the deposit, particularly the steeply dipping NW limb of the main anticline, extends to unknown depth and has been tested by drilling to a maximum vertical depth of 500 metres.

The Saksagan ferruginous members (f-members) are in gradational contact with the "slate" members (s-members) of the group. No sharp contacts between these members are discernible and percentage of total iron (" $\% \text{Fe}_{\text{tot}}$ ") and magnetic iron (" $\% \text{Fe}_{\text{mag}}$ ") grades are also gradational between these members. Small-scale folding likely contributes to the gradational affect. Maximum iron grade is often reached in

the centre of the drill hole intersections in magnetite taconite f-members, while minimum grade is reached in the middle of the “slate” intersections s-members and the iron grade generally is smoothly progressive between these extremes. These slate members are mainly composed of amphibole, with lesser amounts of chert and magnetite. Where the slate members contain more than 15% iron, the rock could be called silicate iron formation, which consists mainly of amphibole and chert, often associated with carbonate (often iron carbonate) and it can contain magnetite or hematite in minor amounts.

Mine waste covers the surface on both the NW and NE margins of the cross-section. Beneath the mine waste there is a layer of flat-lying Cenozoic limestone and marl. Beneath this layer, there is a thin horizon of limonite/goethite and this is the upper limit of the folded Proterozoic sequence of iron formation interlayered with slate. This thin hydroxide iron layer merges with the thicker martite mineralization on the NW margin of the deposit. The martite zone follows down the interface between the iron formation sequence and the Gdantsev metasediments. This interface is a fault zone or an unconformity, or a fault zone superimposed on an unconformity. The steep western margin of the deposit has not been well drilled. The Archean basement occurs further west of the NW margin of the cross-section, and it is in contact with the Gdansev sequence.

Exploration

Following completion of the IPO, the Company engaged Abitibi Geophysique from Val-d’Or, Quebec, to conduct a GPS-Integrated ground magnetic field survey and ground gravity survey over the Shymanivske Property. The various inter-oxide iron formation metasedimentary rocks coded QA (quartz amphibolite), QAS (quartz amphibolite silicate), QB (quartz biotite), and QBS (quartz biotite slate) have elevated levels of Fe_{tot} , but low levels of Fe_{mag} , with most of the iron in Other (Fe). These rocks also have elevated levels of aluminum befitting higher clay content and levels of sulphur much higher than in oxide iron formation. The magnetite-rich taconite iron formation on the Property consists mainly of semi-massive bands, or layers, and disseminations of magnetite containing very minor hematite (specularite), not readily visible, in re-crystallized chert and interlayered with bands (beds) of chert with carbonate and iron silicates and amphibolitic slate.

Drilling

Historical drilling was done on sections perpendicular to the strike of the formations with spacing varying from 40 to 130 meters along sections and from 80 to 300 meters along strike with vertical depths of 250 to 500 meters. The drilling totals about 40,000 meters spread across 215 holes.

To date, Black Iron has conducted two drilling programs on the Shymanivske property. The twin drilling program also known as Phase I Drilling Program comprised 22 holes aggregating 6,042m. Immediately following this, the Phase II Drilling Program was initiated. It consisted of 48 holes aggregating 11,435 metres, including seven holes (totalling 695 metres) that were drilled to acquire larger diameter core for comminution testwork. Total drilling thus aggregated 70 holes and 17,477 metres. The primary purpose of the Phase I program was to collect material for metallurgical testwork by drilling a selection of drill holes as close as possible and at similar attitude to historic locations. The secondary goal of the drilling program was to validate the historic drilling completed on the property. The purpose of the Phase II program was to provide additional information to advance deposit interpretation in support of an updated and upgraded categorized mineral resource estimate.

Drill hole collars were spotted prior to drilling by the Project surveyors TNT TPI. For the Phase I program, holes were staked out using DGPS. Later in Phase II, conventional transit was used. The surveyors also surveyed the foresights to be used for aligning the drills during set-up and for aligning the gyroscopic down hole attitude survey at termination of the holes. Drilling azimuths were established by lining up the drill visually on collar picket and foresight. Drill inclinations were established using an inclinometer on the drill head. Drill set-up was supervised by the rig-geologist. After the holes were completed and the drill dismounted and moved off, the collar locations were again resurveyed by TNT TPI and a picket planted to identify the drill hole. As well as surveying the collars of the Black Iron drill holes, the surveyors also surveyed the historical casings that had been located.

Down hole geophysical and gyroscopic attitude surveys were systematically performed by Pivnichgeologiya, a Ukrainian company under contract to GeoResource. The down hole geophysical surveys included measurement of natural radioactivity (gamma ray survey), rock density (gamma-gamma survey using a cesium radioactive source), electrical conductivity, magnetic susceptibility, caliper and flow meter. Almost all of the drill holes were surveyed.

For most of the twin holes, the positional relationship between the original historical collar and the new Twin collar could only be determined for the historic holes where casings have been identified; otherwise, locational relationships must be inferred from historic database coordinates. WGM observed four or five of these historic casings. GeoResource found an additional seven casings, but none of these corresponds to historic holes that were twinned by Black Iron. In all cases, these historic casings were within several metres (10 to 12 metres) of the location of the twin hole collars, as spotted by TNT TPI. The various reasons for the known difference in location between the casings and the drill hole collar locations, as surveyed for the present program, are not known. Also, the actual coordinates are not known for all the historic drill holes and it is believed that, by capturing the locations from those shown on the Soviet plan maps and cross sections, GIC determined collar locations for these other holes for which Soviet coordinate lists are not available. Therefore, the lack of perfect coincidence between casing locations and database locations for some holes is probably partly due to small measuring errors from the Soviet plan maps. Each of the cross-sections show %Fe_{mag} assays as histograms down the drill holes with different colors based on grades. Also shown are composite averages (length weighted averages) for %Fe_{tot} and %Fe_{mag} over intersection length. The composite locations were selected to represent as best as possible the equivalent intervals in the Twin and historic drill holes, so that assay averages for close-to-equivalent material could be compared. In many cases, the limits on the composite intervals have been selected on the basis of a Fe_{mag} cut-off of 10%.

Generally, agreement is very good with respect to intersected lithology and assays between Twin and historical drill holes. Also notable is the martite or strongly oxidized mineralization that often occurs immediately under the limestone cover. The calculated %hmFe spikes for this type of mineralization are caused by increased Fe. The %Fe_{mag} decreases sharply due to the oxidization of any magnetite. For the "slate" intervals, where they have been sampled and assayed, % Fe_{tot} often decreases only slightly compared with the OIF intervals, but %Fe_{mag} decreases much more considerably. In these intervals, the iron is hosted largely in silicates.

Although the patterns of highs and lows in assays are very similar between historic and the Twin drillholes, certain assay biases appear to be present. For certain historic drillholes, % Fe_{tot} appears to be significantly biased low. For most samples, the ratio of Fe_{mag} to Fe_{tot} is similar. However, a population of samples does not correspond, as indicated by the oval. These two latter drillholes are holes where Fe_{tot} is biased low. An observation of a similar plot of all historic samples shows many more samples that are similar. WGM can't be sure if these are all because Fe_{tot} is low or if Fe_{mag} is too high. It would have been helpful if drilling dates for each of the historic drillholes were available, so that drilling by campaign could be determined. This might make it possible to determine which historic drillholes or campaigns had low-biased assays. However, very few of the historic drill core logs are available to allow for this analysis.

Sample Preparation, Analyses and Security

Black Iron's 2011 Phase I and Phase II drilling programs were managed by GeoResource, which conducted the drill core sampling under guidelines provided by WGM. GeoResource drill rig geologists logged the drill holes in the field adjacent to the drills. Leonid Galchansky, Chief Geologist for GeoResource, established the standards and nomenclature to be applied to the logging and supervised the drill rig geologists. Lithological coding was recorded in an MS Excel database. The logging procedure included core photography.

The intervals for sampling were determined and marked on the core with permanent markers, once the core was transferred to the GeoResource core shed. Sample limits were defined by geology, where lithological variations were significant. The sample limits and the Sample IDs were marked on the core.

Sampling guidelines from WGM included a nominal sample length of 3m, with variations being based on geology and no narrow gaps to be left between samples. Shoulder or bracket samples were to be collected on the margins of all mineralized intervals. The samples were sawn in half using diamond core saws. Guidelines called for sample sawing to be nominally perpendicular to layer banding to maximize sample symmetry. However, folding of the iron formation was often so intense that compliance was not often feasible. In the rubble zones, generally associated with the martite mineralization and limonite/goethite weathered zones, sawing of the core was not always possible and sampling was simply done by trying to take out a representative half-portion of core. The half-core comprising the samples was bagged with a corresponding sample tag and protected by a plastic envelope. The remaining core was returned to the core trays and the other sample tag, also in a plastic envelope, was inserted in the trays under the first piece of core retained for the sample.

2011 Core Storage

The remaining drill core remains in Black Iron's core shed, cross piled hole-by hole. The building is a large warehouse-style structure, with a concrete floor, secure doors and security fence.

2011 Sample Security

After being sawed, samples were trucked under GeoResource's supervision directly to the primary laboratory, MCM, in Kryviy Rih for preparation and assaying. GeoResource provided MCM with a sample list for each shipment. Rejects and pulps originally in the possession of MCM are now stored on racks in Black Iron's core shed.

Laboratory Sample Preparation and Analysis

The primary laboratory for Black Iron's 2011 Twin Drilling (Phase I) and Phase II drilling programs was MCM, based in Kryviy Rih. Sample preparation for assay included first-stage jaw crushing, second-stage roll crushing and finally puck and ring pulverization to provide a representative pulp for assay.

Each entire half- split core sample was jaw-crushed to 75%, passing 10mm. At every 20th sample, the crushed product was tested by screening, using a 10mm screen. The total weight of the sample was recorded. After each sample, the crusher was blown out with compressed air. On a plastic sheet the sample was then thoroughly mixed by trowelling the sample three times back and forth from pile to pile. The thoroughly mixed sample was then coned and quartered. One-half of the sample was returned to the original sample bag with the original sample tag, and subsequently returned to GeoResource for storage. The retained half portion was weighed to ensure it amounted to one-half of the sample. The retained half was then transferred to the rolls mill where it was stage-crushed, which usually required two to three stages. After each stage, the sample material was screened at 2mm, the oversize being returned to the mill for further crushing aimed at achieving 75% passing 2mm. The product sub-sample was then thoroughly mixed by trowelling the material back and forth three times on the plastic sheet. It was then reduced in size again by cone and quarter. Normally two successive stages of cone and quartering were required to separate 250 g of the sub-sample. The reject was weighed, the mass being recorded on the assay certificates, and then put into a new sample bag for storage.

The 250g (approximate) sub-sample was pulverized in a ring and puck pulverizer for a specified time, with the aim of achieving 100% passing 0.1mm. Two pulverizers were required for each sample to handle the 250g. The sample, after each stage of pulverization, was hand screened at 0.1mm. The oversize was returned to the pulverizer until 100% passing 0.1mm was achieved. After each sample, the pulverizers were blown out with compressed air and wiped clean.

The pulverized sub-sample was divided into three portions. This was done by coning the pile, flattening the pile and then using a small scoop to select material from different parts of the disc of material. Two 50g pulps were collected, one was for assay at MCM and the other was sent to GeoResource for storage

and future use. The excess material was bagged and retained in storage at MCM and, apparently, moved to the core shed later.

2011 Sample Assaying

Assaying at MCM included determination of Fe_{tot} , Fe_{mag} , FeO_T , SiO_2 , S_T and P on all samples, including routine and field-inserted quality assurance and quality control (“QA/QC”) samples and laboratory-inserted QA/QC materials. Selected samples also had their bulk density determined, by weighing in air and in water the core pieces that comprised the entire sample intervals. Other selected samples had SG determined by a pycnometer method. GeoResource selected the samples for bulk density and SG. The guidelines from WGM were to try to select samples throughout the deposit that represented the entire range of rock types and mineralization intensity. Routine samples included all drill core samples, split and sampled, to evaluate their mineral content, including Bracket and or Shoulder samples. Bracket or Shoulder samples are samples of waste from the margins of mineralized intersections. A total of 3,869 routine samples were assayed during the Phase I and II programs. The QA/QC program resulted in the identification of a number of sampling and assaying issues, and the follow-up of these issues generated additional samples for assaying.

2011 Quality Assurance and Quality Control

The 2011 QA/QC program for sampling and sample analysis included components conducted by GeoResource that were initiated during core sampling in the field in addition to components operated by MCM as part of the in-laboratory QA/QC program. The in-field components included the insertion of blanks, duplicates and Certified Reference Standards into the sample stream going to MCM. The in-MCM components included the use of blanks, duplicates and Certified Reference Standards throughout the sample preparation and assaying procedure.

In the field, standards, blanks and duplicate samples were inserted into the sample stream going to MCM. The Certified Standard Reference material used for field standards (FSTD) was CANMET FER-3. The FER-3 standards were inserted into the sample stream at a frequency of one per 20 routine samples. Field blanks were inserted into the sample stream at a frequency of one per 20 routine samples. Generally, the blanks and the FER-3 standards were consecutive samples in the sampling sequence.

Field duplicate (FDUP) samples were second-half core samples. These samples were cut and inserted into the sample stream at a frequency of one per 50 routine samples. Whenever FDUP samples are taken, both halves of the drill core are sampled; one half becomes the routine sample and the other half becomes the duplicate. When this type of sampling is performed, no archived core for these sampled intervals remains. These types of samples are “blind” to the lab.

Generally, the results shown on the plots show good assay precision; however, two samples appear to plot out of pattern. WGM believes that four samples may be mixed up, either because of coding in GeoResource’s sampling records or because the samples were mixed up at the lab. No re-assaying is necessary.

Supplementary to the GeoResource’s in-field QA/QC program, MCM, the primary analytical laboratory for Black Iron’s drill programs, operated an in-laboratory QA/QC program involving preparation duplicates (replicates), analytical duplicates, blanks and Certified Reference Standards. These QA/QC materials were analyzed along with the samples received from GeoResource. The preparation duplicates comprise a second sample, riffled out after coarse crushing to enable the monitoring of sample preparation variance. For normal samples received by the lab, one sample is partitioned off from the reject and then proceeds to pulverization. When a preparation duplicate is called for, two portions are partitioned off from the reject and two pulps are created instead of one. Preparation duplicates were prepared at a frequency of one per 50 field samples to MCM. Accordingly for every 50 samples a second sub-sample was generated for assaying. The preparation duplicates were labelled with a (PDUP) prefix. Analytical Duplicates (ADUP) are second portions of pulps that are sub-sampled from normal pulps and assayed. These samples were also completed at a frequency of one per 50 samples to the lab. Later in the

program, a MCM in-house standard was added to the in-laboratory assay scheme to fulfill the role of a blank (LBLK) and to provide a standard with very low levels of iron.

Instances of PDUP, ADUP and LBLK were inserted into the sample stream every 50 samples from the field. MCM also assayed a Certified Reference Standard at a frequency of one per 20 field samples. This standard was a Ukrainian Certified Standard, namely P-010, characterized as magnetite iron ore. To document this material, MCM provided certificate 1063, issued 17 December, 2009, by the State Committee of Ukraine for Technical Regulation and Consumer Policy.

Supplemental Assaying

In addition to the in-field insertion of blanks, duplicates and standards, some follow-up check-assaying was completed, with a view to understanding and resolving particular issues. Some of this was managed by Black Iron; some, by WGM.

On November 18, 2011, a letter report was sent to Black Iron. The document was titled "Draft of Review of Twin Drill hole Program and QA/QC Results Shimanovskogo Iron Property, Ukraine". In the document, WGM brought to Black Iron's attention the fact that MCM's Fe_{mag} assays appeared to be lower in value than historic assays in the corresponding twin drill holes and in initial check-assays of MCM pulps that WGM had collected during its second site visit. Black Iron communicated this finding to MCM. MCM subsequently completed a re-calibration of its instrumentation and provided newly adjusted Fe_{mag} assays for the previously assayed samples (all samples pre-SH18, 23 September 2011, assay certificates). The new calibration was used for all later samples.

Following this re-calibration, Black Iron selected, in October 2011, 100 pulps from samples previously assayed at MCM, which spanned the twin-hole program and also various Fe_{tot} and Fe_{mag} grades. The list of samples was provided to MCM to check the newly adjusted Fe_{mag} values. Black Iron requested MCM to re-assay these samples for Fe_{tot} and Fe_{mag} . MCM performed this service, completing the assays in duplicate.

MCM subsequently forwarded a portion of the pulps for these 100 samples to SGS-Lakefield for check assaying. SGS-Lakefield assayed the 100 samples received from MCM for WR-XRF major elements and Satmagan, and issued its results in February 2012. A selection of 25 of these samples also had Davis Tube tests completed at SGS-Lakefield, and their magnetic concentrate products were analyzed for major elements by Whole Rock – X-Ray Fluorescence (WR-XRF). Neither FeO_T nor S_T was completed on the head samples. The SGS-Lakefield Fe_{mag} values from Satmagan are still higher than MCM, even after MCM's recalibration of its instrumentation.

On 25 of the 100 samples sent to SGS-Lakefield, Davis Tube tests were completed. The samples were pulverized to 95% passing 45 μm (325 mesh). Results for the two methods of determination are close, but the Satmagan numbers are generally a little higher.

Early in 2012, Black Iron selected 35 of the aforementioned 100 samples and requested SGS-Lakefield to forward a portion of the pulps to ALS in Australia. The 35 samples at ALS were assayed for a variety of analytes, including major elements by XRF, magnetic susceptibility and $FeOT$. Original assaying at MCM included the Project standard analytical package, including Fe_{tot} , Fe_{mag} , FeO_T , P and S_T . Later in 2012, Black Iron selected and collected 115 routine samples and four Certified Reference Standards (two each of FER-3 and P-010) from the archived sample pulps and rejects in storage at the Ukrainian core shed. When the samples were forwarded to ALS, magnetic susceptibility and FeO_T were determined.

The plots for Fe_{tot} show a very strong correlation and no bias between labs. These results are in accord with previous results, wherein previous sets of data have shown excellent agreement between MCM and SGS-Lakefield.

On the basis of its review of drill core and “quick logs” completed, which included checking sample intervals and tags in Ukraine at Black Iron’s core shed, WGM is satisfied that logging and sampling by the GeoResource’s personnel was of reasonable quality. Information gathered by WGM was compared against the database being built by GeoResource for accuracy and representivity. The GeoResource’s personnel, in addition to capturing data and recording them in the database, also collected some descriptive data. WGM was not able to review these logs because they are not in English and they have not been fully finalized.

In conclusion, on the basis of all the sample assays from secondary laboratories, WGM is satisfied that MCM’s assays for the routine samples are generally reliable. As aforementioned, Fe_{tot} , FeO_T , SiO_2 and S_T assays are accurate and precise, although MCM’s assays of P are biased too high. MCM’s final assays for Fe_{mag} are generally reasonably accurate and precise. For very few samples, depending on the assaying sequence, Fe_{mag} values may be very slightly too low. Because of the aforementioned assay irregularities that are not understood, WGM cautions that the Fe_{mag} assays for control samples such as FER-3 and P-010, or any of the others inserted by MCM and not “blind” to MCM should not be relied upon.

Data Verification

Drill core samples collected for Black Iron as part of the 2011 drilling programs were submitted by GeoResource’s to MCM, SGS-Lakefield and ALS. WGM understands that MCM is accredited under Ukrainian regulations and holds an ISO 9001:2009 certification for quality management systems. SGS Lakefield is fully accredited under ISO 9001 and ISO 17025, for specific laboratory procedures. ALS is similarly accredited under ISO 9001 and ISO 17025, for specific laboratory procedures. Although WGM has reviewed the assay results generated by MCM and SGS-Lakefield and believes the results are generally accurate, WGM is relying on the two laboratories as independent experts in the field of analyses.

WGM Senior Associate Geologist, Mr. Richard Risto, P.Geol., QP, visited the Shymanivske property four times in 2011 to assist with implementation of sampling and assaying protocols verification of drilling and to complete independent sampling. WGM’s first site visit was completed between April 11 and April 18; site visit two between May 22 and May 29; site visit three between June 27 and July 3; and site visit four between December 12 and 17. WGM reviewed the Black Iron program results with Black Iron’s senior Geologist, Mr. Farshid Ghazanfari, P.Geol., and the GeoResource personnel conducting the program. Mr. Risto collected independent drill core samples during the second, third and fourth site visits for independent assaying.

During its site visits, WGM visited the drills in progress for both the Phase I and II drilling programs. WGM also confirmed the coordinates of the drill hole collars to be similar to those which had been proposed and confirmed that they were located on the property. WGM also witnessed the existence of six historic drill casings on the property.

WGM “quick” logged a number of Black Iron Phase I and II cores at the GeoResource core shed during its site visits. During this process, WGM confirmed that the GeoResource logging was reasonably accurate with its lithostratigraphic coding that generally agreed with WGM’s observations. WGM completed independent sampling of Black Iron’s half-split drill core and assay pulps prepared by MCM during its second, third and fourth site visits to the Shymanivske property. In total, WGM collected 23 samples of half-split core and 93 pulps (one pulp was lost in transit, providing 92 for assay at SGS-Lakefield). To this stream, WGM inserted instances of two Certified Reference Standards: CANMET’S FER-3 and the Ukrainian Standard P-010.

The pulps were collected from second pulps prepared by MCM. The laboratory protocol called for MCM to prepare a second 100g pulp for every sample processed. MCM riffled this material out of the pulverized fraction. One pulp went to analysis at MCM; the second pulp was put aside for our use. During its visits, WGM selected the pulps and sub-sampled each one, extracting 20 to 30g and placed this material in small bags. The samples were selected by WGM to be representative of the entire assay/sample

program, with samples taken from each of the sample shipment/MCM certificate batches. The samples were also selected to span the range of mineralization represented by a range of MCM assay results.

The drill core samples were sampled by WGM from the core boxes. For the most part, WGM's samples represented the remainder of the half-split core left in the core trays after original sampling for MCM assaying. All but two of WGM's samples correspond to GeoResource's samples. These samples were assigned new sample identities, placed in sample bags with tamper-evident closures and shipped to SGS-Lakefield. It is important to note that the identity of the samples was not known to MCM, GeoResource, Black Iron, or SGS-Lakefield. Upon arrival, SGS-Lakefield performed an inspection of the bags and reported that they were in good shape, showing no evidence of tampering. At SGS-Lakefield, each sample was analyzed for major elements by lithium metaborate fusion Whole Rock–X-Ray Fluorescence (WR-XRF); FeOT was determined by H₂SO₄/HF acid digest potassium dichromate titration; Fe_{mag} was determined by Satmagan; and ST by LECO. Each sample also had SG determined on pulp, by gas comparison pycnometer. Bulk density was determined on each of the core samples (not the pulps) prior to crushing, using the weighing–in-water/weighing-in-air method.

The pulps required no sample preparation at SGS-Lakefield. The drill core samples were cone crushed to nominal ¼" and then a 1kg sub-sample was riffled out. The sub-sample was stage-crushed to 10-mesh (2mm), a 100g was pulverized in a ring pulverizer to 200-mesh (75µm), and then sent for analysis. Each of the samples collected during WGM's fourth site visit was split into two portions, one portion going to SGS-Lakefield and the second portion going "blind" to MCM for re-assay, using the analytical package standard to the project.

Samples collected during WGM's second and third site visits aggregated 53 pulps and 18 half-split drill core samples, including six Certified Reference Standards. Initial interpretation of analytical results for these samples showed that results for Fe_{tot}, SiO₂, FeO_T, and S_T were closely comparable between SGSLakefield and MCM. However, for Fe_{mag}, initial results showed that MCM values were lower than SGSLakefield values. An analysis of the Twin drill hole results was completed at the same time, by comparing assay results in Black Iron's Twin drill holes with its corresponding historic twin. Fe_{mag} values returned for Black Iron's samples were also generally lower than historic values. These two findings suggested that MCM's Fe_{mag} values were generally 2%-4% lower.

After completing its verification in the field in Ukraine, its review of the Twin hole drilling program results, and its review of historical documents WGM is satisfied that Soviet drilling locations, assay and lithology results are substantially and generally reliable, with a few caveats. WGM believes that minor errors and uncertainties are associated with many of the Soviet data items, but the extent of these errors has not proven to be significant.

On the basis of Check assay comparisons with SGS-Lakefield and ALS, in which much of the Check assaying is based on samples "blind" to all parties, except WGM, WGM is satisfied that MCM assay results for Black Iron's drilling are generally reliable. The Check assaying done on MCM-prepared pulps and non-MCM processed second half-split core samples using secondary labs and "blind" samples-- suggests that any possible assay inaccuracies are not very significant for evaluating the Shymanivske Deposit.

Metallurgical

A significant amount of test work was completed over a number of years, including that done by WPS during the previous feasibility study published by the Company in 2012. As suggested in that report, additional tests were necessary in order to refine assumptions and to potentially introduce newer technologies to the proposed flowsheet. The additional tests which were completed included pilot scale comminution and beneficiation. The tests were carried out at various facilities including SGA (Studiengesellschaft für Eisenerzaufbereitung) in Germany, HPGR (High Pressure Grinding Rolls) manufacturers in Germany, COREM in Quebec City, Metso's facility in the USA as well as additional tests at SGS in Canada, SGS in Australia, MCM in Ukraine and ALS Ammtec in Australia.

The main conclusion that came from the 2012 report testwork is that the iron mineralization from the Shymanivske deposit can be processed and upgraded to the targeted specifications with crushing, stage grinding, low intensity magnetic separation and sulphide flotation. The additional testwork completed during the present Feasibility Study allowed the flowsheet to be refined with some important modifications: the crushing flowsheet has an increased work load for the energy efficient HPGR stage, the cobbing stage is modified for a wet cobbing instead of dry cobbing, the power on the primary grinding ball mill stage is reduced and the secondary ball mill grinding stage is removed. During the 2012 study testing, a final grinding size of 80% passing 32 µm was required to achieve a concentrate grading 68% iron and 4.5% silica with a sulphur content of 0.05%. The present Feasibility Study pilot test results confirmed these findings.

Mineral Resource Estimates

Following the completion of additional drilling in December 2011, Farshid Ghazanfari, P.Geo., prepared an updated Mineral Resource estimate for the Shymanivske deposit. WGM was retained by Black Iron to audit this in-house estimate. The most recent Mineral Resource estimate for the Shymanivske deposit was completed in May, 2011, for a PEA by Black Iron and then verified and audited by Hugh De Corta, P.Geo., an independent consulting geologist. Additional confirmation and infill drilling by Black Iron, which commenced in April, 2011, led to the compilation of this data, and the subsequent drilling density allowed for the upgrading of the Mineral Resource estimates for the Project. Information used for this update included historical drill hole data, in addition to Black Iron twin drilling and definition drilling programs.

Although WGM cannot verify the quality assurance and quality control processes and methods used in compiling the historical technical data, WGM believes that the historical technical data is relevant to the overall potential of the Shymanivske Project and to the establishment of updated Mineral Resources.

The mineral resources estimate below is effective as of December 18, 2012.

The current Mineral Resources are categorized as Measured, Indicated and Inferred and the categories are based on drill hole spacing, data quality (and confidence) and search ellipse distances. Resources are interpolated out to a maximum of 675m (approx.) on the ends/edges and at depth, when supporting information from adjacent cross-sections was available. The resources are reported above -440m elevation level (about 500 m from surface), based on the same pit shell depth which was used in the previous preliminary economic assessment ("PEA").

Measured & Indicated Mineral Resource Estimate for Shymanivske Project

Category	Zone	Tonnes (Million)	% Fe (tot)	% Fe (mag)
Measured	SX1F	44.0	31.0	17.0
	SX2F	311.1	32.1	19.9
Total		355.1	32.0	19.5
Indicated	SX1F	101.6	30.7	16.3
	SX2F	163.8	31.3	19.0
	SX3F	6.1	30.7	16.7
	SX4F	19.2	30.9	17.4
Total		290.7	31.1	17.9
Total Measured and Indicated		645.8	31.6	18.8

Inferred Mineral Resource Estimate for Shymanivske Project

Category	Zone	Tonnes (Million)	% Fe (tot)	% Fe (mag)
Inferred	SX1F	17.4	32.0	17.1
	SX2F	169.4	30.0	18.6
	SX4F	1.5	23.6	16.1
Total		188.3	30.1	18.4

Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

The validation of the Mineral Resource estimate of the Shymanivske Deposit was carried out in two separate steps. For the first step, block grades (Fe_{tot} and $\%Fe_{mag}$) were compared visually against drillhole assay data and composite data for each section and on plan views. The global validation of the block model results, when compared with the grade of the assay and composite intervals, were confirmed with this visual comparison. For the second step, the average of the block grades was reported at 0.01% Fe_{tot} cut-off when blocks in all classifications were totalled. This average is the average grade of all blocks within the mineralized domain. The values of the interpolated grades for the block model were compared to the average grade of head and the average grade of composites of all samples from within the domain.

A cut-off grade of 10% Fe_{mag} was determined to be appropriate for the purposes of this report and was chosen on the basis of a preliminary review of the parameters that would likely determine the economic viability of a large open-pit operation. This cut-off compares well to similar projects and neighboring mines in the area.

The Fe_{tot} grades have been included in the Technical Report, but in WGM's opinion, the total iron grades in the Mineral Resource estimate should not be relied upon as a basis for evaluating the Shymanivske Deposit. To obtain truly meaningful measure of the deposit, Fe_{mag} is a much better basis as reported in the tables above.

The total Inferred Resource tonnage for the martite-rich quartzite horizon (SX5F) was historically estimated (111.5Mt @ 33% Fe_{tot} and 4.3% Fe_{mag}) in previous work from the Soviet era and in the Genivar report (January, 2011). For the current block model, Fe_{tot} and Fe_{mag} grades were interpolated within this SX5F martite domain and are comparable to past estimates, but due to a lack of drilling within this domain, drillholes being abandoned and intersecting this unit at shallow angles, and unknown Fe recoveries of this unit, the results of the SX5F Domain are not included in the current Mineral Resource estimates and it is considered waste for the purposes of this study. It is possible that this material will be brought into the resource estimate in the future, once further metallurgical testwork and additional drilling are completed. Because of the lack of outcrops on the Shymanivske Property, the impact of the faulting and thrusting in the structural interpretation of the deposit is debatable and WGM and Black Iron have some differences in this regard. WGM agrees that faulting is important, but believes that a major unconformity is the principal reason for the Oxide Zone. WGM also believes that the stratigraphic assignment of SX5F to this zone and adjacent zones is not very reliable and that it would make less use of the Saksagan Group member stratigraphy in future.

Mineral Reserves Estimate

The mineral reserve estimate is the portion of the mineral resource tonnage that has been identified as being economically extractable and that incorporates mining losses and the addition of waste dilution. The mineral reserve forms the basis for the production plan used in the Feasibility Study. No Inferred Resource is used in the estimation of the mineral reserve. The mineral reserves have been developed using best practices in accordance with CIM guidelines and National Instrument 43-101.

The mineral reserve estimate is developed in a three-step process:

- Select the optimized open pit shell to be used as the operational pit planning basis.
- Develop an operational open pit design that incorporates benches and truck haulage ramps.
- Estimate the tonnage contained within the designed pit and apply the ore criteria (losses and dilution) to the in situ ore tonnage that meets or exceeds the Fe_{mag} cut-off grade.

Mineral Reserves Estimate for Shymanivske Project

Category	Tonnes	% Fe (tot)	% Fe (mag)
Proven	312,854,000	31.13%	19.49%
Probable	136,114,000	31.12%	18.93%
Total	448,968,000	31.13%	19.32%

Notes:

1) Mineral Reserve Estimate for the Shymanivske iron ore open pit as of January 8, 2014 prepared by P&E Mining Consultants Inc. under the direction of Eugene Puritch, P.Eng.

2) The Mineral Reserve is based on a cut-off grade of 13.0% Fe-Mag and incorporates an ore loss of 2% and dilution factor of 7.1%.

3) The terms "mineral reserve", "probable mineral reserve" and "proven mineral reserve" have the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended.

4) P&E is not aware of mining, metallurgical, infrastructure, permitting, or other factors that could materially affect the mineral reserve estimates.

Project Infrastructure

The Shymanivske area is serviced by existing rail and ports. Several options were reviewed for the export of concentrate, which were subsequently narrowed down to two port options. The port of Nikolaev is the closest and therefore the most economical port of export; however, it has a limited capacity of 2 Mtpa. The balance of the production will be routed to the privately-owned TIS-Ugol terminal located at Port Yuzhny. To date Black Iron has signed POIs with the ports of Nikolaev and TIS-Ugol to provide all port services from rail car dumping to ship loading. The required utilities such as power, process water and natural gas are available in the vicinity of the Project. The local Power Utility DTEK DneprOblEnergo confirmed via a POI that the local power grid has sufficient spare capacity (2,400MW by 2017) to deliver the required power to the Project. Currently the Gornaya Substation is loaded to only 30% of its full capacity. Overhead lines, and modifications and additions to the existing substations are required, and have been considered as part of the total Project capital cost. The rail transportation system is available on site. A tie-in point is already approved for the Project to connect to the national rail grid.

Although such POIs are in place, formal contracts should be negotiated and signed as the project develops.

Environmental Permitting

Several environmental permits will be required for the Project. The main requirement is for the OVNS to be submitted to the Ukrainian authority SER for formal approval, after which other related environmental permits can be obtained.

Mine Closure Plan

Definitive reclamation requirements are subject to specific mine licence agreements and conditions, as set out in the mining permit. A formal Mine Closure Plan will be developed prior to confirmation of the final project design and approvals submission, which will address issues such as bonds, percentage of annual rehabilitation, community development and livelihood diversification. All these factors are complex instruments requiring negotiation as a condition for an individual mining agreement. Guidance on international best practice for mine closure will be referred to.

Environmental

The following Environmental activities that were started in the feasibility study phase must be continued:

- Recommence the Environmental OVNS process as part of the Proekt phase.
- The OVNS shall specify environmental and social management plans required for the early works, construction and operational phases of the project. Given the project time-frame, it is recommended that these plans are started as early as possible.

Capital Costs

The Feasibility Study update announced on January 23, 2014, outlines an operation producing 9.9Mtpa of high-grade 68% iron ore concentrate, projecting a pre-tax but post royalty 48% internal rate of return (“IRR”) and a U.S. \$3.3 billion net present value (“NPV”) at an 8% discount rate. The FS cost estimates were completed by Lycopodium Minerals Canada Ltd. for the Beneficiation Plant and Infrastructure and by P&E for the Mine.

The table below summarizes the key elements of the FS cost estimate and financial analysis for the Project. The Capital Cost estimate has a predicted accuracy of +/- 15%. An exchange rate of 8.2 Ukraine Hryvnia to the USD was used for the capital cost estimate and a rate of 9.5 Ukraine Hryvnia to the USD is used for the operating cost estimates starting in 2017 and beyond noting that the Hryvnia to USD exchange rate upon publishing of this AIF is approximately 10 Hryvnia to each USD. Escalation was not included. The economic evaluation was performed, using a discounted cash flow model. The IRR on the total investment was calculated on the basis of 100% equity financing.

Financial Analysis

NPV at 8% discount rate	\$3.304 billion
IRR	48.0%
Total Estimated Capital Costs (excluding sustaining capital)	\$1,097 million
Life of Mine FOB OPEX (Beneficiation, Mine & Transportation)	\$44.54 /t
Mine Gate OPEX (Beneficiation & Mine)	\$29.64 /t
High-Grade 68% Concentrate Sales Price Forecast. Based on long term CFR benchmark price of \$95/t @ 62% iron adjusted for BKI's higher iron content and shorter shipping distance to end users	
(Year 1, 2016)	\$ 123
(Year 2)	\$ 124
(Year 3 onward, long-term)	\$ 115
Average Annual Cash Flow	\$630 million
Estimated Mine Life	14 years
Final Product Iron Grade (Fine Iron Ore Concentrate)	68% Fe
Measured and Indicated Resource (at 31.6% iron)	645.8 Mt
Proven and Probable Reserves (at 31.1% iron)	449 Mt
Annual Production Rate (average life of mine, post ramp-up year)	9.9 Mt
Projected Plant Start-up and Commissioning	Q4, 2016
Projected Commencement of Revenue Generation	Q1, 2017
Projected Years to Payback (at 8% Discount Rate)	2.0 years

The operation outlined by this Feasibility Study for the Shymanivske Project indicates the potential for a high-value, low net cost iron ore development project. The projected high NPV, net cash flows, and relatively low unit cost for concentrate arise from Black Iron's advantages, which include an iron ore

deposit with significant existing infrastructure (railway, power lines and port) and access to low-cost skilled labour.

The Project has favourable economic potential across a range of discount rates. The operations outlined in the FS are projected to generate over U.S. \$1,143 million in average annual revenue over the life of mine. On the basis of the metallurgical test work completed for the FS, it is estimated that the process weight recovery of 28.3% would yield a project life of 14 years at an average strip ratio of 1.64:1, according to the current estimated resource.

Capital Cost Estimate for the High-Grade 68% Iron Ore Concentrate Production

Total initial capital expenditures are estimated at U.S. \$1,097 million to produce a high-grade 68% iron ore concentrate. The capital cost estimate excludes the sustaining capital cost of U.S. \$483 million. The initial assessment of the preferred port facility indicates that sufficient capacity currently exists for the planned production.

Capital Cost Summary

Item	USD \$ (millions)
Mining	161.85
Beneficiation Plant	475.27
Tailings and Waste	21.23
Project Infrastructure	112.83
Project In-Directs	101.86
Subtotal 1 base cost	873.04
Owner's Cost	81.30
Subtotal 2 base cost	954.34
Contingencies	143.15
Total Project Cost	1,097.49

Operating Cost Estimate for the High-Grade 68% Iron Ore Concentrate

The total average operating costs over 14 years are estimated at U.S. \$44.54/t of high-grade 68% iron ore concentrate.

Summary of Estimated Operating Costs	USD/t (Average Mine Life)
Mine	\$15.46
Beneficiation Plant	\$12.50
Tailings and Waste	\$0.08
Environmental	\$0.26
Infrastructure	\$15.65
Black Iron PMT	\$0.59
Total	\$44.54

Project Schedule

A preliminary project execution schedule for the detailed engineering, construction, commissioning and start-up was developed, which includes the Ukrainian Environmental Assessment and Permitting process (OVNS) as well as the TEO and Proekt construction-permitting process. Construction can begin once all the required permits are obtained, which is currently estimated to be October 2014. Assuming duration of 24 months, construction of the mine, beneficiation plant and all infrastructure tie-ins are scheduled to be

completed by the end of November 2016. The plant commissioning startup is expected to commence in September 2016 for completion by the end of December 2016. See “Risk Factors”.

Recommendations

Mineral Resources Estimates

Most of the previous drilling, including the Twin Drill hole program, was vertical or sub-vertical. During the subsequent definition-drilling program, WGM proposed flatter angles to give more information about the location and orientation of faulted blocks and the existence of several projected faults within the deposit from south to north. This program partially achieved its goals in delineating some structural elements within the deposit. However, in the steeply dipping areas close to the west and east limbs of the main anticline structure, some proposed holes were cancelled because of the position of collars on old waste dumps that belong to the neighbouring mines. Completion of the remainder of these holes either as originally planned or from in-pit once production has commenced, would give more structural information. This would aid in understanding the controls and boundaries of the Oxide Zone and the magnetite-bearing quartzite, thereby improving the quality of the Mineral Resource estimate and helping to achieve better mine planning and scheduling at the boundaries of the Oxide Zone. WGM recommends that, for any future work, the Saksagan stratigraphic member codes be applied more circumspectly.

Mining Methods

The Shymanivske Project will be developed as a large-scale, open pit operation. The final dimension at surface will have a north-south length of 2,500m and east-west width of 1,250m with an approximate depth of 350m. The scale of production will require peak mining rates of up to 320,000 tpd, or 112 Mtpa, in order to meet the iron ore processing rate of 35.0 Mtpa. For production-scheduling purposes, and in order to distribute the waste quantities over the life of the project, a phased-pit approach has been implemented. The pit has been sub-divided into four phases, and mining may occur in multiple phases at the same time, so that mining is taking place in the deeper parts of one phase while stripping is taking place in the upper parts of the next phase. The production schedule for a 14-year mine life requires the mining of 35.0 Mt of iron ore per year. Wastestripping quantities will vary from year to year, depending on the area being mined.

Over the 14-year life of the project, three designated waste-storage facilities (WSF) will be required. RMS-1 is a reclamation material stockpile (RMS) located north of the pit, which will contain 1.5 million m³ of topsoil from the open pit. For overburden and waste rock, WSF-1 and WSF-2 are located to the south and west of the open pit mine respectively and will eventually provide permanent storage for approximately 320 million m³ of material. Approximately 90 M tonnes of overburden and waste will be used to build the tailings containment cells.

Mineral Processing and Metallurgical Testwork

Metallurgical laboratory and pilot testwork achieved the desired quality of concentrate and demonstrated that by using the designed process and flowsheet, it is possible to economically recover magnetite from Shymanivske ore. In order to produce concentrate with the desired specification, the ore will be processed through stage crushing, stage grinding, low-intensity magnetic separation and sulphide flotation.

During the Feasibility Study, both dry and wet cobbing technology was assessed and piloting of the flowsheet was performed to confirm the equipment sizing, magnetic iron recovery and quality of the concentrate produced. Accordingly, the process circuit was designed to minimize energy consumption and maximize iron recovery. The revised flowsheet includes increased size reduction at the HPGR stage and wet cobbing, followed by stage grinding with closed loop gangue rejection and stirred media mills. The reduction in grinding energy resulting from the use of the newer technology was demonstrated by piloting in the case of the HPGR and primary mills, and by a combination of pilot and laboratory testwork for the secondary grinding stage.

As a result of the process optimization, the plant treatment capacity was increased from 27.9 Mtpa to 35 Mtpa resulting in 7.7% higher concentrate production. The BFS describes an operation producing 9.91 Mtpa of high-grade 68% iron ore concentrate.

Conclusion

This feasibility study phase of the project was done to sufficient detail to refine the economics to a $\pm 15\%$ level of accuracy and outline the issues facing the project going forward. The Project economics are sufficiently robust to warrant moving to the next phase of basic engineering and the subsequent Detailed Engineering phase. The estimated cost for the entire EPCM phase up to, and including, startup is USD \$ 1,097 million. Black Iron needs to obtain the necessary surface rights to conduct mining activities on the Shymanivske Project. The next major permitting step for Black Iron is to obtain a Mining Allotment, which entails local regulatory approvals of the optimized pit shell design and the preliminary environmental impact studies.

DIVIDENDS

The Company is not limited in any way in its ability to pay dividends on its Common Shares. However, the Company has not paid any dividends since incorporation and the Company does not expect to pay dividends in the foreseeable future. Payment of dividends in the future will be made at the discretion of the board of directors of the Company.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares of which 159,137,019 Common Shares are issued and outstanding as of March 14, 2014. In addition, 9,913,750 Common Shares are reserved for issuance under stock options granted to directors, officers, employees and consultants and 17,680,000 Common Shares are reserved for issuance upon exercise of outstanding share purchase warrants.

Holders of Common Shares are entitled to receive notice of and to attend any meetings of shareholders and shall have one vote per share at all meetings, except meetings at which only holders of another class or series of shares are entitled to vote separately as such class or series. Holders of Common Shares are entitled to receive on a *pro rata* basis such dividends, if any, as and when declared by the Board and, upon liquidation, dissolution or winding up of the Company, are entitled to receive on a *pro rata* basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of Common Shares. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets forth the high and low trading price in Canadian dollars of the Common Shares which are listed on the Toronto Stock Exchange under the symbol "BKI", for each month of 2013.

Period (2013)	High (\$)	Low (\$)	Avg. Daily Volume
December	0.18	0.15	39,184
November	0.17	0.16	188,766
October	0.22	0.18	67,163
September	0.21	0.17	81,697
August	0.20	0.16	416,737

July	0.25	0.12	438,743
June	0.24	0.14	138,245
May	0.26	0.18	77,463
April	0.25	0.16	273,764
March	0.40	0.24	133,038
February	0.45	0.38	111,360
January	0.49	0.26	149,762

Prior Sales

During the financial year ended December 31, 2013, the Company issued the following Common Shares:

Date	Number of Common Shares	Price Per Common Share (\$)
January 10, 2013 ⁽¹⁾	266,250	\$0.29
April 25, 2013 ⁽¹⁾	41,250	\$0.24
July 9, 2013 ⁽¹⁾	12,500	\$0.16
September 26, 2013 ⁽²⁾	56,250	\$0.15

(1) Common shares issued pursuant to Share Compensation Plan.

(2) Common shares issued upon exercise of options.

During the financial year ended December 31, 2013, the Company issued the following options to purchase Common Shares:

Date	Exercise Price per Security ⁽¹⁾	Number of Securities
February 4, 2013	\$0.45	100,000
September 6, 2013	\$0.18	200,000
September 10, 2013	\$0.20	1,050,000

DIRECTORS AND OFFICERS

The following table sets forth the names, province or state and country of residence, current principal occupation and position with the Company of each director and each executive officer of the Company. Information regarding number of Common Shares that each person beneficially owns, directly or indirectly, or over which such person exercises control or direction, has been provided by each individual.

Name & Jurisdiction of Residence	Present Principal Occupation	Position with Company	Number of Common Shares Beneficially Held	Percentage of Common Shares Beneficially Held
Matthew Simpson Ontario, Canada	Chief Executive Officer and Director	Chief Executive Officer and Director since Dec 21, 2010	588,000	0.37%
Paul Bozoki Ontario, Canada	Chief Financial Officer	Chief Financial Officer	495,000	0.31%
George Mover Ontario, Canada	Chief Operating Officer	Chief Operating Officer	230,000	0.14%
Aaron Wolfe Ontario, Canada	VP Corporate Development	VP Corporate Development	650,000	0.41%
Christine Gallo Ontario, Canada	Lawyer	Corporate Secretary	100,000	0.06%
Stan Bharti ⁽⁴⁾ Ontario, Canada	Mining Financer	Executive Officer	8,704,100	5.47%

Name & Jurisdiction of Residence	Present Principal Occupation	Position with Company	Number of Common Shares Beneficially Held	Percentage of Common Shares Beneficially Held
Bruce Humphrey ⁽³⁾ Ontario, Canada	Mining Executive	Director since Dec 22, 2010	622,500	0.41%
John Detmold ⁽¹⁾⁽³⁾ Naucalpan, Mexico	Managing Director Invecture Group	Director since Dec 22, 2010	585,000	0.37%
Pierre Pettigrew ⁽²⁾ Ontario, Canada	Executive Advisor Deloitte & Touche, LLP	Director since Dec 22, 2010	775,500	0.47%
David Porter ⁽¹⁾⁽²⁾ Ontario, Canada	Retired	Director since Dec 22, 2010	125,000	0.08%
Christopher Westdal ⁽²⁾⁽³⁾ Qubec, Canada	Consultant	Director since Dec 22, 2010	100,000	0.06%
Jaroslav Kinach ⁽¹⁾ Kiev, Ukraine	President, Iskander Energy Corp.	Director since July 5, 2011	160,000	0.07%

Notes:

(1) Member of the Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Corporate Governance Committee

(4) Mr. Stan Bharti is considered to be an executive officer of the Company pursuant to section 1.1 of National Instrument 51-102 — Continuous Disclosure Obligations as he is viewed as having a policy making function a result of the services provided to Black Iron through the agreement with Forbes & Manhattan, Inc., of which Mr. Bharti is Executive Chairman.

The directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, or exercise control over 13,118,350 common shares, representing approximately 8.3% of the issued and outstanding Common Shares of the Company as of the date hereof. The term of service of each of the directors expires at the next annual and general meeting of the shareholders of the Company, subject to their prior resignation or removal.

The principal occupations of each of the Company's directors and executive officers within the past five years are disclosed in the brief biographies below.

Matthew Simpson (President and Chief Executive Officer and Director). From 2002 to 2010, Mr. Simpson worked for the Iron Ore Company of Canada ("IOC"), a subsidiary of Rio Tinto plc with annual production capacity of 17.5 million tonnes of iron ore concentrate as publicly reported in 2009. At IOC he held several progressive roles in Business Evaluation, Operations Planning, Continuous Improvement and in his last three years as Mine General Manager. His work with the IOC primarily took place at their Carol Lake iron ore deposit in Labrador. Prior to joining IOC, Mr. Simpson worked as a process engineer for Hatch Ltd. designing and debottlenecking metallurgical refineries around the world. Mr. Simpson has extensive experience in mine design, operations and project management. He holds a Master of Business Administration ("MBA") as well as a Bachelor of Science in Chemical Engineering both from Queen's University.

Paul Bozoki (Chief Financial Officer). Mr. Bozoki is a Chartered Accountant and holds an MBA with over 18 years of accounting, tax and corporate finance experience in Canada and Europe. From 2007 through September 2010, he was the Chief Financial Officer of CD Capital Partners, a privately held real estate development firm focused on developing mixed use retail and office real estate in Russia, Ukraine and Romania. Mr. Bozoki is experienced in matters of international taxation and foreign capital markets and began his career at Ernst & Young LLP where he spent six years auditing clients in mining and other industries in Canada, Australia and Hungary.

George Mover (Chief Operating Officer). Mr. Mover is a professional engineer and is the former Project General Director of Ferrexpo Yeristovo Mining, a subsidiary of Ferrexpo AG. At Ferrexpo, Mr. Mover led

the development of an open pit iron ore mine. Mr. Mover's career has provided him the opportunities to work in Ukraine, and across many other former Soviet countries and in North America. Mr. Mover has also previously had overall responsibility for the development of significant silver deposits in north eastern Russia on behalf of Pan American Silver Corporation; was Vice President CIS Operations for World Wide Minerals accountable to restart four uranium mines and processing plants in Kazakhstan; and was Resident Manager Magadan for Davy International EPCM consultants.

Aaron Wolfe (Vice President, Corporate Development). Mr. Wolfe is a corporate finance and advisory professional with experience in advising, structuring and financing junior resource, technology and renewable energy companies. From 2006 to 2009, Mr. Wolfe was a Senior Associate, Investment Banking with Macquarie Capital Markets Canada Ltd., the Canadian division of a global investment bank, and its predecessor Orion Securities Inc. Mr. Wolfe holds an Honors Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario.

Christine Gallo (Corporate Secretary). Ms. Gallo is a corporate securities lawyer who works as a legal consultant to several publicly traded companies in the mining industry. Previously, from 2007 to 2010, Ms. Gallo practiced securities law at Cassels Brock & Blackwell LLPs. Gallo obtained her Bachelor of Laws from Osgoode Hall Law School in 2006 and a Bachelor of Business Administration from the Schulich School of Business in 2003.

Stan Bharti, (Executive Officer). Mr. Bharti has over 25 years of experience in operations, public markets and finance. Over the last ten years Mr. Bharti has been involved in acquiring, restructuring and financing resource companies. He is a Professional Mining Engineer and holds a Masters Degree in Engineering from Lamumba University, Moscow, Russia and University of London, England. From 2002 to April 2006, Mr. Bharti was a director and past president of Desert Sun Mining Corp. (which was acquired by Yamana Gold Inc. in 2006). In addition, Mr. Bharti is a director of several public and private companies. Mr. Bharti is also the Executive Chairman and sole director of Forbes & Manhattan.

Bruce Humphrey (Chairman). Mr. Humphrey is a mining engineer with over 35 years' experience working in senior management roles with both junior and senior mining companies. From 2007 to 2009 he served as Chairman of Consolidated Thompson Iron Mines Limited. Mr. Humphrey currently sits on the board of Sulliden Gold Corporation Ltd., Aberdeen International Inc. and Arena Minerals. He is a member of the Professional Engineers of Ontario.

John Detmold (Director). Mr. Detmold has over 30 years' of corporate finance experience, including cross border transactions. Currently, Mr. Detmold is also the Chairman of Inventure Group, S.A. de C.V., the Chairman of Comunicacion Xersa, S.A. de C.V. and is an active member of the Young Presidents Organization and the World Presidents Organization. From 2001 to 2009, Mr. Detmold was the founder and Chairman of Inventure Group, S.A. de C.V., an asset management, private equity fund and merger and acquisition advisory firm. Mr. Detmold was involved in the takeover of Frontera Copper Corporation between November 2008 and May 2009, and is now managing the turnaround of the Copper Mining Corporation. From 1999 to 2001, Mr. Detmold was the Chairman and Chief Executive Officer of Banca Quadrum. Mr. Detmold graduated from McGill University with a bachelors degree with honours in Economics.

Pierre Pettigrew (Director). The Honourable Pierre S. Pettigrew has had a distinguished career as a Canadian federal cabinet minister, serving as Minister of Foreign Affairs from 2004 to 2006 and Minister for International Trade from 1999 to 2003. Pierre Pettigrew also served as Minister of Health and Minister of Intergovernmental Affairs from 2003 to 2004 and Minister of Human Resources Development and Minister of International Cooperation from 1996 to 1999. As a cabinet minister, he chaired numerous working groups on difficult international trade issues and lead trade missions to China, India, Russia, Germany, Algeria, Morocco, South Africa, Nigeria, Mexico, and other countries. From 1985 to 1995, he was an International Business Consultant with Deloitte & Touche LLP and from 2006 to present he has been an Executive Advisor, International at Deloitte & Touche LLP. Mr. Pettigrew currently sits on the board of Aberdeen International Inc., Alder Resources Ltd., Sullident Gold Corp. Ltd. and IC Potash Corp.

David Porter (Director). Mr. Porter holds an MBA and is a seasoned executive who served as Vice President Human Resources and Organizational Effectiveness for the IOC 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 33 years. Mr. Porter has lead the development and execution of business strategy, negotiated agreements with international unions, governments and communities and lead business transformation initiatives. Mr. Porter also sits on the board of Alderon.

Christopher Westdal (Director). Mr. Westdal, a consultant and former Canadian diplomat with 40 years of international experience, was Ambassador to Russia (2003 to 2006), the United Nations in Geneva (1999 to 2003), Ukraine (1996 to 1998), South Africa (1991 to 1993) and Bangladesh and Burma (1982 to 1985). Prior assignments abroad included India and Nepal (from 1973 to 1975, responsible for Canadian International Development Agency programming) and Tanzania (from 1970 to 1973, as a member of a University of Toronto economic advisory team). In Ottawa, he was Director General of the Foreign Ministry's International Organizations Bureau from 1987 to 1991, and Assistant Secretary at the Privy Council Office to the Cabinet Committee on Foreign Policy and Defence (1976 to 1978 and 1985 to 1987). He is currently also a director of Silver Bear Resources Inc. Mr. Westdal holds a Bachelor of Arts degree from St. Johns College and a Master of Business Administration degree from the University of Manitoba.

Jaroslav Kinach (Director). Mr. Kinach gained extensive experience in financial services during his 20-year career with the Toronto Dominion Bank. Mr. Kinach also headed the Office of the European Bank for Reconstruction and Development in Ukraine and was also an advisor to the Prime Minister of Ukraine. He is currently the President of Iskander Energy Corp., a private Canada company focused on energy exploration and production in Ukraine, Bulgaria and Poland. He has an MBA from the Graduate School of Business, Columbia University, New York.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company, (a) is, as at the date of this AIF, or was, within ten years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that (i) while that person was acting in the capacity as director, chief executive officer or chief financial officer was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under the securities legislation, for a period of more than 30 consecutive days that was issued; or (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days that was issued after the director or executive officer 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 a director, chief executive officer or chief financial officer, other than:

Mr. Stan Bharti, was a director of Stetson Oil & Gas Ltd. when on May 7, 2008 it became subject to a cease trade order for failing to file its financial statements. This cease trade order was revoked on May 30, 2008. Mr. Bharti was also director of Kansai Mining Corporation ("**Kansai**"), a company listed on the TSX Venture Exchange. On January 29, 2008, a cease trade order was issued against Kansai and each of the directors and officers, as a result of Kansai failing to file comparative financial statements for the year ended September 30, 2007 and management's discussion and analysis for the year ended September 30, 2007. On March 5, 2008, the cease trade order was revoked. Mr. Bharti was also a director of Galaxy OnLine Inc., which on May 29, 2002 became subject to a cease trade order for failing to file its financial statements. Subsequent to the issuance of the cease trade order, Galaxy OnLine Inc. ceased to be a reporting issuer.

Mr. Jaroslav Kinach, who was the Executive Director of XXI Century Investments, whose shares were temporarily suspended from trading on the AIM on July 1, 2009 as a result of XXI Century Investments having failed to file their audited annual financial statements for the year ended December 31, 2008 within the prescribed time. Trading resumed on December 31, 2009. In June 2010 the shares of XXI Century Investments were temporarily suspended from trading on the AIM for failure to file their audited annual

financial statements for the year ended December 31, 2009 within the prescribed time. Trading resumed in January 2011.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, (i) is, as at the date of this AIF, or has been within the ten years before the date of this AIF, 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 (ii) has, within the ten years before the date of this AIF, 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 its assets.

No director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has: (a) been subject to 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) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

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 of Directors, 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. See "Risk Factors".

AUDIT COMMITTEE DISCLOSURE

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("**NI 52-110**") requires the Company to have a written audit committee charter and to make the disclosure required by Form 52-110F1.

Audit Committee Charter

Please find attached as Schedule A hereto, a copy of the Charter of the Audit Committee of the Board of Directors, which has been adopted by the Board in order to comply with NI 52-110 and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in the Charter is intended to restrict the ability of the Board or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

Composition of the Audit Committee

The Audit Committee is comprised of three directors, namely John Detmold (Chair), Jaroslav Kinach and David Porter. Each member of the Audit Committee is independent of the Company and financially literate, as such terms are defined in NI 52-110.

Relevant Education and Experience

For a summary of the qualifications of each member of the Audit Committee, please refer to their biographies found above under the heading "Directors and Officers".

Audit Committee Oversight

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

Reliance on Certain Exemptions

Since January 1, 2013, the Company has not relied on any of the exemptions regarding the Audit Committee provided in Multilateral Instrument 52-110 of the Canadian Securities Administrators.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees

Audit Fees

KPMG LLP, Chartered Accountants billed the Company \$75,000 for audit fees in the twelve months ended December 31, 2012 and \$75,000 for audit fees in the twelve months ended December 31, 2013.

Audit-Related Fees

KPMG LLP billed \$70,000 to the Company in the twelve months ended December 31, 2012 and \$49,000 in the twelve months ended December 31, 2013 for assurance and related services that are not included in audit fees.

Tax Fees

KPMG LLP billed the Company \$11,815 in the twelve months ended December 31, 2012 and \$5,000 in the twelve months ended December 31, 2013.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The following sets out the legal proceedings during the financial year ended December 31, 2013 to which the Company was a party or of which any of the Company's property was subject that would have had a material adverse effect on the Company. To the knowledge of the Company, there are no other legal proceedings existing or contemplated to which the Company is a party or of which any of the Company's property is subject that would have a material adverse effect on the Company.

There have been no penalties or sanctions imposed against the Company by a court relating to securities legislation or by any securities regulatory authority during the fiscal year ended December 31, 2013, or any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor making an investment decision. The Company has not entered into any settlement agreements with a court relating to securities legislation or with a securities regulatory authority during the fiscal year ended December 31, 2013.

Dispute with Dnepropetrovsk Ecological Region Inspectorate on Environmental Matters:

In July 2011, the Dnepropetrovsk Region Ecological Inspectorate temporarily suspended Black Iron's drill program on both its Shymanivske and Zelenivske sites based on a number of mainly environmental related findings which Black Iron's management did not believe violated Ukrainian law. Although management tried to resolve these issues directly with the Dnepropetrovsk Region Ecological Inspectorate, mutually acceptable solutions could not be achieved so the inspector's findings were challenged in court. In August 2011, the case against Zelenivske was heard by the Dnepropetrovsk District Administrative Court which rendered a decision in favour of the Company. In October 2011, the case against Shymanivske Steel was heard by the Dnepropetrovsk District Administrative Court which also rendered a decision in favour of the Company. These favourable rulings lifted the suspension order on drilling activity for both sites. The Dnepropetrovsk Region Ecological Inspectorate appealed both cases. The Ecological Inspectorate's appeal with respect to the Zelenivske case was heard on May 31, 2012 and the Court ruled in the Ecological Inspectorate's favour. Zelenivske Steel appealed this case to the Higher Administrative Court of Ukraine. No hearing date has yet been set. The Ecological Inspectorate's appeal with respect to the Shymanivske case was heard on February 26, 2013 and the Court ruled in the Ecological Inspectorate's favour. Shymanivske Steel appealed this case to the Higher Administrative Court of Ukraine. The Higher Administrative Court rejected the Shymanivske Steel cassation and left unchanged the Resolution of the Dnepropetrovsk Administrative Court of Appeal in favour of the Ecological Inspectorate on February 12, 2014.

Further, in a letter dated March 1, 2012, notice from Ukraine's Ecological Inspectorate was given that based on a mid-February 2012 site inspection, the Company has been issued a temporary suspension of activities again on the Zelenivske and Shymanivske deposits for which Black Iron's management does not believe it violated any Ukrainian laws. The Company unsuccessfully challenged both these suspensions in Court (Zelenivske on May 28, 2012 and Shymanivske on June 18, 2012). Zelenivske's appeal was overturned on December 18, 2012. The Company filed a cassation appeal for the Zelenivske case to the Higher Administrative Court of Ukraine on January 8, 2013. The Company also filed an appeal for the Shymanivske case to the Dnepropetrovsk Administrative Court of Appeal on January 18, 2013 and a hearing date of April 17, 2014 has been set.

Challenge of Kryviy Rih City Council's leases and work permissions on Shymanivske property:

A portion of the surface rights over Black Iron's Shymanivske property have been leased to neighbouring mining companies by the Kryviy Rih City Council on December 29, 2011. Acquisition of these surface rights is required to advance the project to production. The Company has initiated a legal proceeding to challenge the legitimacy of the processes of the Kryviy Rih City Council, as land owner, in granting these leases. The Court hearing on this matter on April 3, 2012 as well as subsequent appeals heard on June 7, 2012 and November 27, 2012 rejected Black Iron's assertion. Further, a second legal challenge has been initiated by the Company to have its rights for all project development activity (e.g. diamond drilling) acknowledged as the only entity, along with its subcontractors, authorized to perform work on the Shymanivske property. Black Iron believes it has the preferential right to acquire the Shymanivske property surface rights and the sole right to conduct mine development related works based on having been issued an extraction permit for the iron ore mineral rights for the Shymanivske property. The Court hearing this matter on March 27, 2012, as well as subsequent appeals heard on June 7, 2012 and November 27, 2012, rejected Black Iron's assertion. Management is continuing to evaluate and is actively pursuing a number of potential solutions to current permit suspensions. In particular, the Company is evaluating its ability to seek remedies for both of the above-noted legal cases via the Bilateral Investment Treaty between the Government of Canada and the Government of Ukraine for the Promotion and Protection of Investments. Management is confident that solutions are available that will accommodate the implementation of the BFS. See *"Risk Factors - Uncertainty in Acquiring and Maintaining Necessary Licences, Permits and Access Rights"*.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, nor any person who beneficially owns, controls, or directs, directly or indirectly, Common Shares carrying more than 10% of the voting rights

attached to all outstanding Common Shares, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year or in any proposed transaction not otherwise disclosed herein which, in either case, has affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Equity Financial Trust Company, located in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into by the Company in the ordinary course of business, the only material contracts entered into by the Company within the last financial year (or prior thereto if such contract remains in effect) are as follows:

- Shareholders Agreement between the Company, BKI Cyprus, and Metinvest dated July 16, 2013 and related subscription agreement for the initial investment of Metinvest for shares of BKI Cyprus.

Copies of these material contracts are available under the Company's SEDAR profile at www.sedar.com.

INTERESTS OF EXPERTS

The following are the names of all the persons who have prepared or certified for the Company a statement, report or valuation described or included in this AIF:

Information of a scientific or technical nature in respect of the Shymanivske Project is included in this AIF based upon the Feasibility Study entitled "Feasibility Study of the Shymanivske Iron Ore Deposit" dated January 24, 2014 and prepared by Mr. Balaji Thangavel, P.Eng. PMP, Mr. Mauro O. Batista, P.Eng, Mr. Enayat Sharokni, P.Eng, all of Lycopodium Minerals Canada Ltd., Mr. Daniel Roy, B.Sc., Eng, of Soutex Inc., Mr. Eugene Puritch, P. Eng., of P&E Mining Consultants Inc., and Mr. Richard W. Risto, M.Sc., P.Geo, and Mr. Michael Kociumbas, B.Sc., P.Geo, both of WGM, each of whom is a "qualified person" and "independent" as such terms are defined in NI 43-101.

To the knowledge of the Company, each of these experts held less than 1% of the outstanding Common Shares of the Company, at the time of the preparation of the reports and/or at the time of the preparation of the technical information contained in this AIF and either did not receive any or received less than a one percent direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such reports or data.

None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, are currently, or are expected to be elected, appointed or employed as, a director, officer or employee of the Company or of any associate or affiliate of the Company.

KPMG LLP are the auditors of the Company and have performed the audit in respect of the audited annual financial statements of the Company as at and for the year ended December 31, 2013. KPMG LLP are independent of the Company in accordance with the applicable rules of professional conduct as of the date hereof.

ADDITIONAL INFORMATION

Additional financial information is provided in the Company's annual financial statements and management discussion and analysis for the year ended December 31, 2013. These documents and

other information about the Company can be found on SEDAR under the Company's profile at www.sedar.com.

SCHEDULE "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 or by one of the other Charters 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 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.
- viii) 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.
- ix) The Committee shall follow procedures established as set out in Schedule "C" attached hereto, for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- x) The Committee shall provide oversight to related party transactions entered into by the Corporation.
- xi) 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.
- xii) 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 "D" 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.

APPENDIX “A” TO 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.

APPENDIX "B" TO SCHEDULE "A"

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.

APPENDIX "C" TO SCHEDULE "A"

BLACK IRON INC.

PROCEDURES FOR RECEIPT OF COMPLAINTS AND SUBMISSIONS

RELATING TO ACCOUNTING MATTERS

1. 1. The Corporation shall inform employees on the Corporation's website, if there is one, or via a newsletter or e-mail that is disseminated to all employees at least annually, of the officer (the "**Complaints Officer**") designated from time to time by the Committee to whom complaints and submissions can be made regarding accounting, internal accounting controls or auditing matters or issues of concern regarding questionable accounting or auditing matters. If no officer is designated by the Corporation, the Chairman of the Audit Committee shall be designated the Complaints Officer.
2. The Complaints Officer shall be informed that any complaints or submissions so received must be kept confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Committee or the Chair of the Committee.
3. The Complaints Officer shall be informed that he or she must report to the Committee as frequently as such Complaints Officer deems appropriate, but in any event no less frequently than on a quarterly basis prior to the quarterly meeting of the Committee called to approve interim and annual financial statements of the Corporation.
4. Upon receipt of a report from the Complaints Officer, the Committee shall discuss the report and take such steps as the Committee may deem appropriate.
5. The Complaints Officer shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

APPENDIX "D" TO SCHEDULE "A"

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.