BLACK IRON INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

Date: August 6, 2015

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Black Iron Inc. together with its subsidiaries (collectively, "Black Iron" or the "Company") as at and for the three and six months ended June 30, 2015. This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2015 and its consolidated financial statements and related notes as at and for the year ended December 31, 2014. The condensed consolidated interim financial statements and related notes of Black Iron have been prepared in accordance with IAS 34 Interim Financial Reporting. Unless otherwise noted, all references to currency in this MD&A are in U.S. dollars.

All financial statements discussed in this MD&A have been prepared using IFRS applicable to a going concern and do not reflect the adjustments to the carrying value of assets and liabilities, reported revenue and expenses, and the statement of financial position classifications that would be necessary where the going concern assumption is inappropriate. These adjustments could be material.

Certain information contained in the MD&A is forward-looking which involves risks and uncertainties. The forward looking information is not based on historical fact, but is rather based on the current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company's industry, business and future financial results. Actual results could differ materially from the results contemplated by this forward looking information due to a number of factors, including those set forth in this MD&A and under the "Cautionary Statement Regarding Forward Looking Information" and "Risk Factors" sections.

The MD&A was prepared in accordance with the requirements set out in National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Matt Simpson, the Company's President and Chief Executive Officer, is a qualified person as defined under National Instrument 43-101 guidelines and has reviewed the scientific and technical information contained in this MD&A.

The Audit Committee of the Company has reviewed this MD&A and the condensed consolidated interim financial statements as at and for the three and six months ended June 30, 2015, and Black Iron's Board of Directors approved these documents prior to their release.

Overview

Black Iron was incorporated on June 29, 2010 pursuant to the provisions of the *Business Corporations Act (Ontario)*. On October 25, 2010, Black Iron completed the acquisition of Geo-Alliance Ore East Ltd. (since renamed Black Iron (Cyprus) Ltd. ("BKI Cyprus")) which serves as an investment holding company for two Ukrainian subsidiaries: Shymanivske Steel LLC ("Shymanivske") and Zelenivske Steel LLC ("Zelenivske"). The total consideration paid for BKI Cyprus including capitalized transaction costs was $22,934,931 and the acquisition was accounted for as an asset acquisition. During 2014, Black Iron closed a development arrangement whereby BKI Cyprus issued additional shares in exchange for an investment of $20 million (see Transaction with Metinvest B.V. below). Presently, Black Iron retains ownership of 51% of BKI Cyprus which in turn owns 100% of the two Ukrainian subsidiaries.

Shymanivske holds an iron ore mining extraction permit over 2.56 square kilometers of land until November 1, 2024 (the “Shymanivske Project” or the “Project”). Shymanivske’s extraction permit can be renewed in 20 year increments. The Shymanivske project is located within and near the city of Kryvyi Rih, Dnepropetrovsk Region, Ukraine in close vicinity with two large existing iron ore and steel operations.

The Project is currently at the exploration and evaluation stage. On January 23, 2014, Black Iron updated its Bankable Feasibility Study (“BFS”), incorporating pilot plant test work, completed on its Shymanivske Iron Ore Project. The updated BFS outlines an operation producing 9.9 million tonnes per year of high-grade 68% iron ore concentrate, projecting a 48% internal rate of return (“IRR”), two year payback and a $3.3 billion net present value (“NPV”) at an 8% discount rate (pre-tax). The primary focus of the Company is to prepare for mine construction, including: completing all permitting and land usage requirements, resolving outstanding ecological and land court cases, securing a cornerstone off-take agreement, and arranging the bulk of the project finance needs.

The Company is involved in several legal actions in Ukraine related to environmental and surface right matters. The Company has had no success in the Ukrainian court system pursuing these legal matters to date. Accordingly, on December 29, 2014, the Company commenced an international arbitration process against the Government of Ukraine under the Agreement between the Government of Canada and the Government of Ukraine for the Promotion and Protection of Investments. The Company’s legal counsel believes the Company is more likely than not to prevail in the arbitration based on the merits of its case. In case the Company loses or fails to settle this dispute, it may not recover its investment in the Shymanivske project. In parallel, management continues to work with the relevant parties to resolve the environmental and surface right matters outside of the arbitration process including through a recently formed Ukraine Intra-Agency Working Group headed by Ukraine’s Ministry of Justice with initial representation from the Company. See a detailed description under the “Legal Matters” section.

Transaction with Metinvest B.V.

On July 23, 2013, the Company announced that it had executed definitive agreements to form a development arrangement with Metinvest B.V. (“Metinvest”), Ukraine’s largest mining and steel producer. Metinvest agreed to invest $20 million directly into the Company’s subsidiary BKI Cyprus in exchange for a 49% shareholding interest in BKI Cyprus. Metinvest was also granted a non-transferable option to acquire additional shares of BKI Cyprus to increase their effective ownership to 51% post achieving a full run rate concentrate production for three consecutive months. The option exercise price represents a 30% premium over the fair full market value as determined by an independent third party, and expires twelve months after vesting. Completion of this transaction was subject to receipt of all necessary regulatory approvals, including the approval of the Government of Ukraine’s anti-monopoly division, all of which have been received.

Each of Metinvest and Black Iron have the option to participate in the funding of the development of the Ukrainian iron ore assets based on their proportionate interest in BKI Cyprus or have their interest diluted. Using the projected total capital investment requirements as outlined in the Company’s Bankable Feasibility Study (filed on SEDAR in January 2014) of $1,097 million, and assuming the development capital is 100% equity financed, Metinvest’s future capital contribution could increase by up to $537 million (being 49% of $1,097 million) for the development of the Shymanivske Project. The agreements contain strict dilution provisions designed to create a strong incentive for Metinvest to continue participating in future equity financings of BKI Cyprus.

On April 15, 2014, Metinvest and Black Iron finalized a closing schedule for Metinvest’s initial $20 million investment into BKI Cyprus. Metinvest made payments of $5 million on April 15, 2014, May 15, 2014, June 16, 2014 and July 15, 2014. Upon receipt of each installment, Metinvest was issued common shares of approximately 12% of the share capital of BKI Cyprus for a total upon completion of the investment of 49%. Black Iron retains the remaining ownership position in BKI Cyprus and remains responsible to lead the development of the Shymanivske Iron Ore Project.

Second Quarter Highlights

- In an effort to preserve cash to keep the Company fiscally sound during the ongoing war in Ukraine and a period of depressed global iron ore price, certain employees and consultants were severed at the start of this quarter. A small core group of people remain to progress the land plus legal files and ensure the company remains fully compliant with its TSX filings.
- Senior management continue to promote the importance of the development of the Shymanivske Project to the overall rebuilding of Ukraine’s economy through the creation of jobs and tax revenues. In Q2 the team met with several high ranking officials in Ukraine’s new Government, including the Prime Minister of Ukraine, Minister of Ecology, Ministry of Justice officials, Kryviy Rih City Council representatives and the new Canadian Ambassador to Ukraine. Ukraine’s Prime Minister committed to personally review Black Iron’s outstanding legal cases along with the Company’s request for land currently held by the State in use by the Ministry of Defense.
- On April 15, 2015 the Company’s Vice President Corporate Development, Aaron Wolfe, resigned.
- As of June 30, 2015, Black Iron had approximately $15.1 million in cash and cash equivalents (see “Liquidity and Capital Resources” section).

Subsequent events

On July 30, 2015, the Company entered into a secured loan agreement (the “Loan”) with Aberdeen International Inc. (“Aberdeen”) whereby the Company agreed to lend Aberdeen CAD$400,000. The Loan carries an interest rate of 8% and matures the earlier of: (1) three months from the date of the loan agreement, (2) 10 days from the closing of a proposed transaction by Aberdeen or (3) on demand by the Company pursuant to the occurrence of certain events of default according to the terms of the agreement. Stan Bharti, an executive officer of the Company, is a director of Aberdeen.

Outlook

The Company’s primary focus remains resolving the long outstanding legal challenges and acquiring land essential for project development while maintaining the cash spend rate at a minimum given the ongoing war in Ukraine and this period of currently depressed iron ore price. In Q1 2015, tangible progress was made with owners of an adjacent mine named “YuGOK” informing Kryviy Rih City Council of their willingness to turn this land back to the city so it can be leased to Black Iron.

Due in part to the ongoing war in Eastern Ukraine between Ukraine nationals and rebel groups, the Company has not been able to progress the land and permitting requirements on a typical as given the Ukrainian Government’s priority has been the peaceful resolution of the conflict. The successful democratic election of a new President on May 25, 2014 is largely responsible for the stability found in the rest of the country, including where Black Iron’s project is located. Ukraine’s Prime Minister is aware of Black Iron’s case plus land needs as are several high ranking Canadian Government officials. While positive developments are occurring to resolve the outstanding legal challenges and land needs, the speed at which results can be achieved is highly uncertain.

Black Iron reminds readers that the Shymanivske Iron Ore Project is located in central Ukraine, to the West of the Dnieper River and approximately 300 km West of Donetsk, which, at this time, is the region of greatest unrest. The Company’s local activities are removed from the current area of contention and there have been no adverse incidents, or threats of incidents, that would negatively impact the safety of employees or assets.

Given Black Iron’s reasonable cash position coupled with the general depressed state of global mining companies, opportunities to acquire a quality near term producing mine are being reviewed to supplement Black Iron’s Shymanivske project. Although several opportunities are being reviewed, there is no certainty that such a project will be required.

Bankable Feasibility Study Update Highlights

On January 23, 2014, Black Iron updated its current BFS, incorporating pilot plant test work, completed on its Shymanivske Iron Ore Project. The updated BFS outlines an operation producing 9.9 million tonnes per year of high-grade 68% iron ore concentrate, projecting a 48% internal rate of return ("IRR"), two year payback and a $3.3 billion net present value ("NPV") at an 8% discount rate. This is an improvement over the December 2012 feasibility which was based on producing 9.2 million tonnes per for essentially the same capital cost with associated 46% IRR and 2.2 year payback.

The primary reason for updating the previous report filed in December 2012 is to include results from pilot plant test work conducted throughout 2013, which resulted in an optimized process design and layout, along with revised infrastructure usage rates confirmed through several recently signed protocols of intent. The most significant changes implemented are: changing from dry cobbing to more efficient wet cobbing at a finer particle size resulting in an increase from 10% to 40% rejection of waste rock prior to grinding; elimination of the second grinding stage resulting in a 14% reduction in total operational running active power; reducing the plant footprint through a more optimal layout; and an 8% increase in iron ore concentrate production from 9.2 to 9.9 million tonnes per year with essentially no change in capital cost.

Financial metrics contained in the BFS report are shown on a pre and after tax basis and in both cases are inclusive of royalties. At the time of drafting this study, Ukraine planned to have a corporate tax rate of 16% effective January 1, 2014 and a mining royalty rate of $0.09 per tonne of ore mined (<1%) payable to the State; these rates are currently under review with the interim Government and the corporate tax rate may be increased to 18%. The table below summarizes the key elements of the BFS (high grade 68% Concentrate, all currency is US$):

Measured and Indicated Resources (at 31.6% Total Fe)	646 Mt
Proven and Probable Reserves (at 31.1% Total Fe)	449 Mt
Annual Production Rate(average life of mine, post ramp-up year)	9.9 Mt
Estimated Mine Life (based on Proven and Probable Reserves only)	14 years
Final Product Iron Grade (Fine Iron Ore Concentrate)	68% Fe
Projected Plant Start-up and Commissioning	Q4 2016
Projected Commencement of Revenue Generation	Q1 2017
Long Term CFR Benchmark Iron Ore Concentrate Price Estimate (62% Fe)	$95 /t
Total Estimated Capital Costs (excluding sustaining capital)	$1,097 million
Life of Mine FOB OPEX (Beneficiation, Mine, Transportation & Loading) Mine Gate OPEX (Beneficiation & Mine)	$44.54 /t $29.64 /t
Average Annual Cash Flow (pre-tax) Average Annual Cash Flow (after-tax)	$630 million $536 million
NPV at 8% discount (pre-tax) NPV at 8% discount (after-tax)	$3.3 billion $2.6 billion
IRR (pre-tax) IRR (after-tax)	48.0% 39.1%

Projected Years to Payback (at 8% Discount Rate, pre-tax) Projected Years to Payback (at 8% Discount Rate, after-tax)	2.0 years 2.5 years

Financial Sensitivities at Various Discount Rates

	(pre-tax)		(after-tax)	
IRR	48.0%		39.1%	
Discount Rate	NPV US$ (Millions)	Payback (Years)	NPV US$ (Millions)	Payback (Years)
0%	$ 7,165	1.8	$5,877	2.1
6%	$ 3,997	1.9	$3,177	2.4
8%	$ 3,304	2.0	$2,609	2.5
10%	$ 2,756	2.1	$2,148	2.6

The Project has favourable economic potential across a range of discount rates. The operations outlined in the BFS are projected to generate over $1,216 million in average annual revenue over the life of mine.

The life of mine strip ratio is estimated at 1.64:1, which is essentially unchanged from the December 2012 estimate of 1.63:1. On the basis of the metallurgical test and beneficiation plant design work completed for this BFS, it is estimated that the 449 million tonnes of reserves will result in a project life of 14 years based on the average 9.9 million tonnes per year iron ore concentrate production rate. The Company believes that additional exploration and definition drilling work have the potential to expand the existing resource and upgrade the 188 Mt of Inferred mineral resources to the Measured and Indicated classification, potentially adding up to five years to the Project life.

Details and Assumptions

The total capital expenditure to develop the mine, concentrator and infrastructure tie-ins is estimated at $1,097 million to produce 9.9 million tonnes per year of high-grade 68% iron ore concentrate. The capital cost estimate excludes the sustaining capital cost of $483 million spread over the life of mine. Assessment of the preferred port facility, backed up by a formal protocol (letter) of intent, confirms that sufficient capacity exists for the planned production.

Summary of Estimated Initial Capital Costs	**(US$ in Millions)**
Mine	162
Beneficiation Plant	475
Tailings and Waste	21
Project Infrastructure	113
Engineering Procurement Construction Management & Other indirect	102
Owner’s Costs (includes land acquisition)	81
Contingencies (15%)	143

TOTAL	**1,097**

The 15% contingency estimate includes a 5% design allowance. The total average Freight On Board operating costs over 14 years are estimated at $44.54 per tonne of high grade 68% iron ore concentrate broken out as follows:

Summary of Estimated Operating Costs	**US$/tonne of Concentrate** (Average Mine Life)
Mine	$15.46
Beneficiation Plant	$12.50
Tailings & Waste	$0.08
Environmental	$0.26
Infrastructure (primarily rail & port)	$15.65
General & Administration	$0.59
TOTAL	**$44.54**

Consistent with practice in the industry, this BFS has been prepared with an engineering accuracy of +/-15%.

Currency Sensitivity

For the purpose of the BFS an exchange rate of 8.2 UAH per US$ has been used for the CAPEX (up to January 2016) and 9.5 UAH per US$ for the OPEX and Sustaining Capital (2017 and beyond) based on review of several economic forecasts. Variations in the exchange rates from year 2016 onward (i.e. not including the construction period) affect the financial analysis as follows:

Impact of Ukraine Hryvnia Exposure – BFS Currency Sensitivity (US$)

Exchange Rate as of year 2016 onward	**(UAH/US$)**				
	8:1	**9:1**	**9.5:1**	**10:1**	**11:1**
NPV @ 8% discount pre-tax (billion) after-tax (billion)	 $3.2 $2.5	 $3.3 $2.6	 $3.3 $2.6	 $3.3 $2.6	 $3.4 $2.7
Total Estimated Capital Cost (million)	$1,097	$1,097	$1,097	$1,097	$1,097
Estimated Operating Cost (per tonne)	$47.71	$45.48	$44.54	$43.70	$42.24
Average Annual Cash Flow					

pre-tax (million)	$575	$586	$590	$594	$601
after-tax (million)	$494	$502	$506	$509	$515

Ukraine Business Environment

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 and continued through February 2015 in the eastern regions of Ukraine, has resulted in the Ukrainian parliament initiating elections for a new President, unscheduled parliamentary elections and filling several Ministerial and Oblast Governor roles with temporary appointees. 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 and on April 30, 2014 the IMF announced approval of a $17 billion bailout loan that was followed by a further $40 billion loan on February 12, 2015. The final resolution and the effects of the political and economic crisis are difficult to predict but may have further severe adverse 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. These consolidated financial statements reflect management’s current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Company. The future business environment may differ from management’s assessment.

Selected Quarterly Financial Information

Three months ended	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014**
	$	$	$	$
Loss for the period	694,454	698,264	1,191,630	1,577,153
Loss per share	(0.00)	(0.00)	(0.01)	(0.01)

Three months ended	June 30, 2014**	March 31, 2014*,**	December 31, 2013	September 30, 2013
	$	$	$	$
Loss for the period	2,278,747	1,292,964	1,688,962	1,677,634
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

*During the three months ended June 30, 2014, the Company corrected the classification of warrants issued during the first quarter (see Note 6 of the Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 for details). The Company’s condensed consolidated financial statements for the three months ended March 31, 2014 have not been re-stated for the non-cash adjustment. Had the non-cash adjustment been reflected in the loss for the three months ended March 31, 2014, the impact would have been an increase in net loss of $646,777.

**During the year ended December 31, 2014, the Company changed the functional currency of its two Ukrainian subsidiaries from the Ukrainian Hryvnia to the U.S. dollar (see Note 3(b) of the Company’s consolidated financial statements for the year ended December 31, 2014). The losses for the periods in 2014 have been recast to reflect this change.

The Company's results have been driven primarily by ongoing exploration activities at its Shymanivske property. The decrease in the quarterly net losses from 2013 to 2015 is the result of lower exploration and evaluation expenses related to cost control efforts and a slow-down in work in Ukraine due to the continuing dispute discussed under "Legal Matters". Further, the cash flow burn rate has decreased steadily in the last two years to preserve funds. The Second quarter of 2014 was higher as a result of bonuses granted related to the Metinvest transaction discussed above. The Company is at the development stage and accordingly does not have any revenues.

Results of Operations for the Company for the three and six months ended June 30, 2015

Selected Financial Information

	For the three months ended June 30, 2015	For the three months ended June 30, 2014	**For the six months ended June 30, 2015**	For the six months ended June 30, 2014
	$	$	**$**	$
Loss for the period	**694,454**	2,278,747	**1,392,718**	3,571,711
Loss per share	(0.00)	(0.01)	**(0.00)**	(0.02)
General and administrative:				
Consulting and management fees	**267,458**	1,270,436	**598,593**	1,638,922
Professional fees	**63,912**	158,096	**90,086**	197,806
General office expenses	**61,354**	63,253	**127,961**	150,101
Travel expenses	**10,629**	140,869	**34,304**	165,179
Shareholder communications and filing fees	**16,383**	21,304	**50,943**	115,456
	419,736	1,653,958	**901,887**	2,267,464
Feasibility study	**-**	-	**-**	51,098
Mine design	**-**	-	**-**	7,280
Grindability testing	**-**	-	**-**	2,493
Engineering studies	**27,338**	139,453	**56,237**	148,532
Consulting and technical	**169,252**	318,205	**350,603**	635,097
Travel	**8,471**	4,951	**22,396**	22,608
Legal support	**7,476**	-	**27,565**	2,440
Field office support & administration	**36,457**	46,941	**75,012**	110,862
Exploration and evaluation expenditures:	**248,994**	509,550	**531,813**	980,410
Non-cash:				
Stock-based compensation	**19,905**	105,389	**55,477**	322,980
Change in fair value of warrant liability	**16,043**	32,845	**(121,191)**	32,845
	35,948	138,234	**(65,714)**	355,825
Income tax expense	**-**	580	**-**	580

Three months ended June 30, 2015

Expenses

General and Administrative

Overall, the strengthening of the US dollar against the Canadian dollar in the three month period ended June 30, 2015 compared to the three months ending June 30, 2014 resulted in lower general and administrative expenses as most of these expenses are incurred in Canadian dollars.

Consulting and management fees decreased by $1,002,978 from the same three month period in the prior year due to bonuses granted to directors and officers in connection with the closing of the Metinvest transaction in the prior year.

Professional fees of $63,912 in the three month period ended June 30, 2015 were for audit, legal and other professional fees incurred and/or accrued and are $94,184 lower than in the same period in the prior year.

Professional fees in the same period in 2014 included $110,989 in share issue costs that were allocated to warrants as part of a private placement financing.

General office expense of $61,354 includes rent and office related expenses along with marketing expenses. The Company shares office space with several other resource companies and pays its proportionate share of expenses. Office expenses in the same period in the prior year were $63,253.

Travel expenses of $10,629 in the three months ended June 30, 2015 include travel to and from the Company's property in Ukraine and travel associated with investor relations. Travel expenses in the same period in the prior year were $130,240 higher than the current period as the prior year included travel associated with the closing of the Metinvest transaction (see "Transaction with Metinvest B.V." section above).

Shareholder communications and filing fees of $16,383 are lower than the $21,304 incurred in the same period in the prior year. There was an increase in investor relations and marketing activities in the prior year related to the private placement which closed in February 2014, the update of the feasibility study and the transaction with Metinvest.

Exploration and Evaluation Expenditure

The Company recorded exploration and evaluation expenses of $248,994 during the three months ended June 30, 2015. This expenditure was primarily for consulting and technical fees related to the Shymanivske project as required primarily for land acquisition. This is $260,556 lower than the same period in the prior year as the Company has down-sized its operations as a result of the continuing dispute discussed under "Legal Matters" and the current Ukrainian business environment.

Non-Cash Items

No options were issued during the three months ended June 30, 2015 or 2014. All options granted vest in eight equal quarterly installments resulting in an expense during the three months ended June 30, 2015 of $19,905 compared with $105,389 during the three months ended June 30, 2014.

On February 20, 2014, the Company issued 17,680,000 warrants in connection with a private placement financing. These warrants have been classified as financial liabilities and are recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Included in the results of operations for the three months ended June 30, 2015, is a loss of $16,043 on the change in fair value of the warrant liability compared with a loss of $32,845 during the same period in the prior year.

Six months ended June 30, 2015

Expenses

General and Administrative

Overall, the strengthening of the US dollar against the Canadian dollar in the six month period ended June 30, 2015 resulted in lower general and administrative expenses as most of these expenses are incurred in Canadian dollars.

Consulting and management fees decreased by $1,040,329 from the same six month period in the prior year due mainly to bonuses granted to directors and officers in connection with the closing of the Metinvest transaction in 2014. Consulting and management fees were also impacted by the strengthening of the US dollar as noted above and cost control efforts by management.

Professional fees of $90,086 in the six month period ended June 30, 2015 were for audit, legal and other professional fees incurred and/or accrued and are $107,720 lower than in the same period in the prior year.

Professional fees incurred in the six months ended June 30, 2014 included $110,989 in share issue costs that were allocated to warrants related to a private placement financing.

General office expense of $127,961 includes rent and office related expenses along with marketing expenses. The Company shares office space with several other resource companies and pays its proportionate share of expenses. Office expenses decreased by $22,140 from the same period in the prior year mainly as a result of lower insurance costs.

Travel expenses of $34,304 in the six months ended June 30, 2015 include travel to and from the Company's property in Ukraine and travel associated with investor relations. Travel expenses of $165,179 in the same period in the prior year included travel associated with the closing of the Metinvest transaction.

Shareholder communications and filing fees of $50,943 are lower than the $115,546 incurred in the same period in the prior year. There was an increase in investor relations and marketing activities in the prior year related to the private placement which closed in February 2014, the update of the feasibility study and the transaction with Metinvest.

Exploration and Evaluation Expenditure

The Company recorded exploration and evaluation expenses of $531,813 during the six months ended June 30, 2015. This expenditure was primarily for consulting and technical fees related to the Shymanivske project as required primarily for land acquisition. This is $448,597 lower than the same period in the prior year as the Company has down-sized its operations as a result of the continuing dispute discussed under "Legal Matters" and the current Ukrainian business environment.

Non-Cash Items

No options were issued during the six months ended June 30, 2015 and 250,000 options were cancelled. During the six months ended June 30, 2014, the Company granted 4,350,000 options to directors, officers and consultants of the Company and cancelled 100,000 options. All options granted vest in eight equal quarterly installments resulting in an expense during the six months ended June 30, 2015 of $55,477 compared with $322,980 during the six months ended June 30, 2014.

On February 20, 2014, the Company issued 17,680,000 warrants in connection with a private placement financing. These warrants have been classified as financial liabilities and are recorded at estimated fair value at each reporting date, computed using the Black-Scholes valuation method. Included in the results of operations for the six months ended June 30, 2015, is a gain of $121,191 on the change in fair value of the warrant liability compared with a loss of $32,845 in the same period in the prior year.

Liquidity and Capital Resources

The recovery of the amounts shown for resource properties and the related expenditures are dependent on the ability of the Company to obtain necessary financing to complete the development of the Shymanivske Project and attain future profitable production. The Company's financial success will depend on its ability to raise financing to construct its Shymanivske project. Presently, the Company presently has no established sources of income and the success of its exploration and development programs will be contingent upon the Company's ability to raise sufficient equity financing on terms favourable to the Company. The Company intends to raise additional capital largely through an offtake agreement with a steel mill or commodity trader and does not expect to generate any internal cash flows to help finance the development costs of the iron ore mine. Management is aware of material uncertainties that may cast substantial doubt upon the entity's ability to raise additional financing. These conditions include the fact that the Company has incurred operating losses since inception, has no source of operating cash flow, and that there can be no assurances that sufficient funding, including adequate financing, will be available to develop its property and to cover general and administrative expenses necessary for the maintenance of a public company.

As at June 30, 2015, the Company had working capital of $14,601,534 compared with working capital of $16,039,816 as at December 31, 2014 including cash of $15,130,055 (2014 - $16,642,496). At June 30, 2015, $13,707,722 of the Company's total cash of $15,130,055 was held in the Cyprus and Ukrainian subsidiaries. The $13,707,722 cash held in the Cyprus and Ukrainian subsidiaries is available for the development of the Shymanivske project without restriction. The Canadian parent entity receives a $1 million per quarter support services fee from the Cyprus subsidiary which funds corporate level expenditures. The support services fee is eliminated on consolidation and thus does not appear in the condensed consolidated interim financial statements. The Company's primary capital needs are funds for development of its mining and exploration permits, administrative expenses and working capital. The Company will maintain its excess working capital in a combination of Canadian and U.S. dollars which will only be converted to Ukrainian Hryvnia as required. The Company maintains most of its cash reserves, including those of the Cyprus subsidiary, at a large reputable Canadian commercial bank in high quality short term deposits, cash equivalents or cash.

On February 20, 2014, the Company closed a private placement financing of 17,680,000 units of the Company for gross proceeds of CAD$3,005,600 ($2,706,772). Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of CAD$0.25 until February 20, 2017. In connection with the financing, the Company paid the underwriter a cash commission and other fees of CAD$308,561 ($277,882) and issued compensation options valued at $53,053.

On August 22, 2014, in connection with the closing of the Metinvest transaction, the Company issued 2,000,000 common shares of the Company with a fair value of $237,443 for finder's fees.

Normal course issuer bid ("NCIB")

On June 23, 2015, the Company announced its intention to make a NCIB to buy back and cancel its common shares through the facilities of the Toronto Stock Exchange ("TSX"). Any purchases made pursuant to the NCIB will be done in accordance with the rules of the TSX at the market price of the common shares at the time of the acquisition. The maximum number of common shares that may be purchased for cancellation is that number of common shares that represents 10% of the common shares in the public float. Based on the 124,425,187 common shares in the public float as of June 23, 2015, the maximum number of shares to be purchased and cancelled is 12,442,518. Daily purchases will be limited to 56,513 common shares other than block purchase exceptions. Purchases under the NCIB are permitted to commence on June 26, 2015 and will terminate on June 25, 2016 or the date upon which the maximum number of common shares have been purchased.

Cash Flows

Three months ended June 30, 2015

During the three months ended June 30, 2015, operating activities before working capital changes used cash of $649,526 compared with a use of cash of $2,022,933 during the three months ended June 30, 2014. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Operating activities in the three months ended June 30, 2014 were higher as they included bonuses and other expenses related to the closing of the Metinvest transaction. No cash was provided by financing activities during the three months ended June 30, 2015. During the same period in the prior year, financing activities provided cash of $14,942,376 as the Company closed the first three installments of the Metinvest transaction. Cash provided by investing activities during the three months ended June 30, 2015 was $742 compared with $3,246 in the same period in the prior year. Cash provided in both periods was for interest income on cash balances.

Six months ended June 30, 2015

During the six months ended June 30, 2015, operating activities before working capital changes used cash of $1,439,939 compared with a use of cash of $3,087,392 during the six months ended June 30, 2014. Expenditures in both periods were primarily related to consulting and management fees and for consulting and technical work on the Shymanivske Project. Operating activities in the six months ended June 30, 2014 were higher as they included bonuses and other expenses related to the closing of the Metinvest transaction. No cash was provided by financing activities during the six months ended June 30, 2015. During the same period in the prior year, financing activities provided cash of $17,425,276 as the Company closed a private placement financing (see "Liquidity and Capital Resources" section above) in addition to the closing of the first three installments of the Metinvest transaction (see "Transaction with Metinvest B.V." section above). Cash provided by investing activities during the six months ended June 30, 2015 was $1,657 compared with $3,353 in the same period in the prior year. Cash provided in both periods was for interest income on cash balances offset by purchases of equipment.

Operating Segments

The Company has concluded that it has only one material operating segment (the development of its Ukrainian mining and exploration permits) for financial reporting purposes.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, with the exception of operating leases noted below.

Financial Commitments and Litigation

<u>Leases</u>

The Company has two leases in Ukraine: 1) office space in Kryvyi Rih, Ukraine for an annual rent of $60,000 and 2) lease of a secure warehouse to store drill cores totaling 1,254 square meters for an annual rent including security fees of $33,500. Both leases may be terminated on 30 days notice.

<u>Management Contracts</u>

The Company is party to certain management contracts. These contracts require payments of approximately $3.8 million to the officers of the Company upon the occurrence of a change in control of the Company, as such term is defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately $716,000 pursuant to the terms of these contracts.

<u>Legal Matters</u>

Dispute with Dnepropetrovsk Ecological Region Inspectorate on Environmental Matters:

In July 2011, the Dnepropetrovsk Region Ecological Inspectorate temporarily suspended the Company's drill program on both its Shymanivske and Zelenivske sites based on a number of mainly environmental related findings which the Company'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 LLC 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 by the Dnepropetrovsk Administrative Court of Appeal and the Court ruled in the Ecological Inspectorate's favour. Zelenivske Steel LLC attempted to appeal this case to the Higher Administrative Court of Ukraine, but the appeal was disallowed, leaving the ruling of the Dnepropetrovsk Administrative Court of Appeal in favour of the

Ecological Inspectorate unchanged. The Company's Zelenivske exploration permit expired on November 1, 2014 and accordingly the appeal has been dropped by the Company. 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 LLC appealed this case to the Higher Administrative Court of Ukraine. The Higher Administrative Court rejected the Shymanivske Steel LLC 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 to the Company 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. The Company'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 disallowed 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, but lost its appeal on September 23, 2014. As the Company's Zelenivske exploration permit expired November 1, 2014, the Company will no longer pursue this action. The Company also filed an appeal for the Shymanivske case and the Dnepropetrovsk Administrative Court of Appeal left unchanged the Resolution of the Dnepropetrovsk Administrative Court of Appeal in favour of the Ecological Inspectorate on May 29, 2014. Shymanivske Steel LLC appealed the case to the Higher Administrative Court of Ukraine on July 9, 2014, however on February 5, 2015; the Higher Administrative Court of Ukraine rejected the appeal and left unchanged the resolution of the Dnepropetrovsk Administrative Court of Appeal. In addition, the Inspectorate has filed claims for damages related to these matters, which the Company is appealing. No damages have been paid by the Company to date.

Due to the political crisis currently in Ukraine, the Company expects progress on these legal matters to be slow. Refer to commentary below on filing a Bilateral Investment Treaty application for further commentary on actions management is taking to resolve these issues.

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

A portion of the surface rights over the Company's Shymanivske property were leased to neighbouring mining companies by the Kryvyi 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 Kryvyi 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 the Company'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. The Company 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 on this matter on March 27, 2012 as well as subsequent appeals heard on June 7, 2012 and November 27, 2012 rejected the Company's assertion.

Treaty Application

On June 27, 2014, the Company filed a Notice of Investment Dispute (the "Notice") under the Bilateral Investment Treaty between the Government of Canada and the Government of Ukraine for the Promotion and Protection of Investments (the "Treaty"), seeking remedy for both the above noted legal cases within the statute of limitations period that expired on December 29, 2014.

Since filing the Notice on June 27, 2014, management met with several new Ukraine Government officials including two Deputy Heads of the President's Administration, Canada's new Ambassador to Ukraine and Ukraine's Ambassador to Canada. Ukraine's Ministry of Justice has been tasked to form an Intradepartmental Working Group to investigate these matters with a view to resolving them in a manner that is mutually satisfactory to both Black Iron and Ukraine's Government. Although Black Iron is encouraged by these developments, given the statute of limitations on claims in respect of these cases would have expired on December 29, 2014, Black Iron filed a Notice of Arbitration (the "Arbitration Notice") with Ukraine's Ministry of Justice on December 29, 2014. The Company intends to continue to work with the Government of Ukraine to look for solutions outside of the formal arbitration process. The Company's legal counsel believes Black Iron is more likely than not to prevail on the merits of the case.

Other Matters

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

Related Party Transactions

During the six months ended June 30, 2015, the Company paid or accrued $657,806 (Q2 - 2014 - $2,296,844) of management compensation relating to Officers and Directors of the Company. Included in this amount is $121,914 (Q2 - 2014 - $135,873) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Mr. Stan Bharti (a former director and current executive officer of the Company) is the Executive Chairman. In addition, Officers and Directors had 1,150,000 (Q2 - 2014 – 1,397,500) options vest with a value of $48,239 during the period (Q2 - 2014 - $264,551).

As at June 30, 2015, accounts payable and accrued liabilities included $22,046 owing to directors of the Company for board fees which is included in the above amounts and $3,104 owing to an officer of the Company for reimbursement of expenses incurred.

All of the related party transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Critical Judgments and Estimation Uncertainties:

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

(a) Significant judgments in applying accounting policies

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

(i) Impairment of exploration and evaluation properties

While assessing whether any indications of impairment exist for exploration and evaluation properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation properties. Internal sources of information include the manner in which exploration and evaluation properties are being used or are expected to be used and indications of expected economic performance of the assets.

(ii) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(iii) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(iv) Control over Black Iron (Cyprus) Limited

The Company owns 51% of BKI Cyprus, with the remaining 49% owned by Metinvest B.V. ("Metinvest") as at June 30, 2015. The Company assessed whether or not it has control over BKI Cyprus based on whether the Company is exposed or has rights to variable returns from its involvement in BKI Cyprus, and has the ability to affect those returns through its power over BKI Cyprus. The Company assessed the power to direct the relevant activities, which the Company assessed as being the development of the Shymanivske project. In assessing the relevant activities, management used significant judgment to determine that by being the majority shareholder and therefore operator in accordance with the shareholder agreement to execute and manage the Shymanivske project based on the unanimously approved budget by both shareholders, meant that the Company, in addition to being exposed to variable returns through their 51% interest, had the ability to use its power to affect the potential returns from BKI Cyprus, and therefore these relevant activities supported the determination that the Company continues to control BKI Cyprus as at June 30, 2015.

(b) Significant accounting estimates and assumptions

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

(i) Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

(ii) Share-Based Payments and Warrants

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Disclosure Controls and Procedures

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities.

The CEO and CFO have certified that they have designed disclosure controls and procedures (or caused them to be designed under their supervision) and they are operating effectively to provide reasonable assurance that material information relating to the issuer and its consolidated subsidiaries is made known to them by others within those entities as of June 30, 2015.

Internal Control over Financial Reporting

Black Iron's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR"). Under their supervision, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions, acquisitions and dispositions of the assets of the Company;
- Provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

The CEO and CFO have certified that internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS as at June 30, 2015. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control 2013 ("COSO 2013") Framework to design the Company's internal control over financial reporting.

There were no changes in the Company's ICFR that occurred during the half of 2015 that has materially affected, or is reasonably likely to materially affect the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Risk Factors

Investing in the Company involves risks that should be carefully considered. The business of the Company is speculative due to the high-risk nature of iron ore mining and exploration in Ukraine. Investors should be aware that there are various risks, that could have a material adverse effect on, among other things, title to the projects, permitting, the operating results, earnings, business and condition (financial or otherwise) of the Company. For a listing of risk factors, investors should refer to the Company's Annual Information Form filed on SEDAR on March 13, 2015.

Additional Information and Continuous Disclosure

Additional information, including the Company's press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Outstanding Share Data

As at the date of this MD&A, the Company has:

a) 161,137,019 common shares outstanding;
b) 20,615,370 warrants and compensation options outstanding with expiry dates ranging from February 20, 2016 to February 20, 2017 and exercise prices ranging from CAD$0.17 to CAD$0.25. If all the warrants or compensation options were exercised, 20,615,370 shares would be issued for proceeds of CAD$4,979,013.
c) 12,176,250 stock options outstanding with expiry dates ranging from March 29, 2016 to July 28, 2020 with exercise prices ranging from CAD$0.05 to CAD$1.40. If exercised, 12,176,250 shares would be issued for proceeds of CAD$2,742,425.

Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact relating to Black Iron certain information contained herein constitutes forward-looking information. Forward-looking information includ**e**s, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of iron ore and other minerals; timing and possible outcome of pending litigation and regulatory matters; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as ''plans'', ''expects'' or ''does not expect'', ''is expected'', ''budget'', ''scheduled'', ''estimates'', ''forecasts'', ''intends'', ''anticipates'' or ''does not anticipate'', or ''believes'', or variations of such words and phrases or 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 they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Black Iron to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction, expansion and start-up; variations in mineral grade and recovery rates; delay or failure to receive government approvals; timing and availability of external financing on acceptable terms; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of gold and other minerals; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes 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 statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.