



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

For the three and six months ended June 30, 2022 and 2021

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

Condensed consolidated interim statements of financial position.....	1
Condensed consolidated interim statements of loss and comprehensive loss	2
Condensed consolidated interim statements of changes in shareholders' equity (deficiency)	3
Condensed consolidated interim statements of cash flows.....	4
Notes to the condensed consolidated financial statements	5 - 14

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

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

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

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

BLACK IRON INC.

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

	June 30, 2022	December 31, 2021
ASSETS		
Current		
Cash	\$ 2,864,743	\$ 5,694,803
Amounts receivable and prepaid expenses	198,632	692,090
Total current assets	3,063,375	6,386,893
Equipment	5,621	7,002
Total assets	\$ 3,068,996	\$ 6,393,895
LIABILITIES		
Accounts payable and accrued liabilities (Note 5 and Note 9)	\$ 926,571	\$ 1,736,532
Total liabilities	926,571	1,736,532
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Common shares (Note 6)	84,144,021	84,092,549
Share based payments reserve (Note 7)	1,471,053	1,421,078
Warrant reserve (Note 8)	4,543,066	4,544,623
Accumulated other comprehensive loss	(58,153)	(17,681)
Accumulated deficit	(87,957,562)	(85,383,206)
Total shareholders' equity (deficiency)	2,142,425	4,657,363
Total shareholders' equity and liabilities	\$ 3,068,996	\$ 6,393,895

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

Approved by the Board of Directors on August 2, 2022

"BRUCE HUMPHREY", Director

"JOHN DETMOLD", Director

BLACK IRON INC.

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Expenses				
Consulting and management fees (Note 9)	\$ 189,457	\$ 204,607	\$ 409,313	\$ 410,586
Professional fees expense	(37,068)	51,183	47,466	77,726
General office expenses	38,424	39,252	78,812	81,734
Exploration and evaluation expenses (Note 4)	145,551	308,831	1,885,385	551,075
Share-based compensation (Note 7 and Note 9)	77,100	198,361	164,395	241,978
Travel expenses	1,871	13	3,829	13
Shareholder communications and filing fees	52,092	87,776	102,708	158,457
Change in fair value of conversion option	-	(116)	-	(7,704)
Finance costs	-	792	-	52,801
Accretion	-	83	-	5,487
Loss on foreign exchange	(4,314)	7,203	(3,577)	13,027
Interest income	(2,555)	(516)	(15,568)	(1,148)
Net loss for the period	\$ 460,558	\$ 897,469	\$ 2,672,763	\$ 1,584,032
Other comprehensive loss				
Items that may be subsequently classified to net loss:				
Cumulative exchange translation adjustments	80,974	2,685	40,472	(3,097)
Total other comprehensive loss	80,974	2,685	40,472	(3,097)
Comprehensive loss for the period	\$ 541,532	\$ 900,154	\$ 2,713,235	\$ 1,580,935
Basic and diluted loss per share	\$ -	\$ -	(\$0.01)	(\$0.01)
Weighted average number of common shares outstanding - basic and diluted	303,792,298	267,792,893	303,729,701	265,025,077

BLACK IRON INC.

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

	Common shares		Share based payments	Accumulated deficit	Warrants	Accumulated other comprehensive loss	Total shareholders' equity (deficiency)
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	259,939,588	72,563,431	1,259,540	(79,555,717)	2,288	-	(5,730,458)
Opening balance, January 1, 2021 (Note 3)	-	-	-	-	-	4,721	4,721
Net loss for the period	-	-	-	(1,584,032)	-	3,097	(1,580,935)
Stock option vesting (Note 7)	-	-	181,533	-	-	-	181,533
Stock option exercise (Note 7)	1,572,500	235,781	(99,854)	-	-	-	135,927
Deferred share units (Note 7)	-	-	60,445	-	-	-	60,445
Warrant exercise (Note 8)	9,358,333	2,697,106	-	-	(2,231,392)	-	465,714
Warrant grant (Note 8)	-	-	-	-	6,521,549	-	6,521,549
Conversion of debt to shares	2,590,627	358,588	-	-	-	-	358,588
Balance, June 30, 2021	273,461,048	75,854,906	1,401,664	(81,139,749)	4,292,445	7,818	417,084
Balance, December 31, 2021	303,475,548	84,092,549	1,421,078	(85,383,206)	4,544,623	(17,681)	4,657,363
Net loss and comprehensive loss	-	-	-	(2,672,763)	-	(40,472)	(2,713,235)
Stock option plan (Note 7)	-	-	136,199	-	-	-	136,199
Stock option exercise (Note 7)	323,000	51,472	(17,570)	-	-	-	33,902
Stock options expired (Note 7)	-	-	(96,850)	96,850	-	-	-
Deferred share units (Note 7)	-	-	28,196	-	-	-	28,196
Warrant expired (Note 8)	-	-	-	1,557	(1,557)	-	-
Balance, June 30, 2022	303,798,548	84,144,021	1,471,053	(87,957,562)	4,543,066	(58,153)	2,142,425

BLACK IRON INC.

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

	Six months ended June 30, 2022	Six months ended June 30, 2021
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,672,763)	\$ (1,584,032)
Adjustment for:		
Share-based compensation (Note 7)	164,395	241,978
Interest income	(15,568)	1,148
Change in fair value of conversion option of the convertible debenture	-	(7,704)
Accretion	-	5,487
Non-cash financing costs	-	139,792
Depreciation	1,526	467
Net cash outflow before working capital changes	(2,522,410)	(1,202,864)
Net change in non cash working capital	(286,250)	(153,860)
Cash used in operating activities	(2,808,660)	(1,356,724)
FINANCING ACTIVITIES		
Warrant exercise (Note 8)	-	465,714
Option exercise (Note 7)	33,902	135,927
Loan payable	-	16,994
Cash provided by financing activities	33,902	618,635
INVESTING ACTIVITIES		
Purchase of equipment	(145)	(1,390)
Interest received	15,568	1,148
Cash provided by investing activities	15,423	(242)
Effect of exchange rate changes on cash	(70,725)	(152,821)
CHANGE IN CASH	(2,830,060)	(891,152)
CASH, beginning of period	5,694,803	1,665,600
CASH, end of period	\$ 2,864,743	\$ 774,448

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

1. Nature of operations and going concern

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

As at June 30, 2022, Black Iron Inc. held 100% of the shares of Black Iron (Cyprus) Limited which in turn holds a 100% interest in Shymanivske Steel LLC.

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

	Country of incorporation	Percentage of equity interest	
		June 30, 2022	December 31, 2021
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

These unaudited condensed consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year.

For the six months ended June 30, 2022, the Company incurred a net loss of \$2,672,763 and as at June 30, 2022, reported an accumulated deficit of \$87,957,562 and working capital of \$3,063,375, including \$2,864,743 in cash. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt.

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

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

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

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

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

1. Nature of operations and going concern (continued)

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

2. Basis of presentation

Statement of compliance

The condensed consolidated interim financial statements are in compliance with IAS 34, *Interim Financial Reporting*. Accordingly, certain information and disclosures normally included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2021.

Basis of measurement

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

3. Significant accounting policies

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

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

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

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

3. Significant accounting policies (continued)

Future accounting standards not yet effective

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

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

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

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

4. Exploration and evaluation expenditures

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Consulting and technical	\$ 146,781	\$ 195,054	\$ 365,782	\$ 354,524
Feasibility study	(39,644)	32,077	1,238,848	32,077
Surface rights and consulting	38,414	42,273	149,985	90,302
Engineering studies	-	161	-	10,775
Field office support and administration	-	15,351	85,872	32,413
Travel	-	226	-	6,638
Professional fees	-	54	19,865	711
Environmental	-	23,635	25,033	23,635
	\$ 145,551	\$ 308,831	\$ 1,885,385	\$ 551,075

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

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

5. Accounts payable and accrued liabilities

	June 30, 2022	December 31, 2021
Trade payables	\$ 902,800	\$ 827,708
Accruals	23,771	908,824
	\$ 926,571	\$ 1,736,532

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

6. Share capital

Authorized

Unlimited number of common shares without par value.

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

On July 21, 2021, the Company closed a short form prospectus offering of 28,750,000 common shares, raising gross proceeds of \$9,134,959 (CAD\$11,500,000) at a price of CAD\$0.40 per common share. The Company paid cash commissions of \$814,211 (CAD\$1,025,011) and issued 1,340,201 finder warrants related to this prospectus financing. The finder warrants are exercisable to acquire one common share of the Company at a price of CAD\$0.40 for a period of two years from the date of issue (see Note 8).

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

7. Share-based payments reserve

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSU	Weighted average exercise price CAD	Carrying amount of DSU	Total carrying amount
Balance, December 31, 2020	14,617,500	\$ 0.07	\$ 779,234	9,040,848	\$ 0.07	\$ 480,306	\$ 1,259,540
Granted	1,750,000	0.07	268,095	285,206	0.14	81,227	349,322
Exercised	(2,837,000)	0.06	(174,170)	-	-	-	(174,170)
Forfeited	(450,000)	0.20	(13,614)	-	-	-	(13,614)
Balance, December 31, 2021	13,080,500	\$ 0.12	\$ 859,545	9,326,054	\$ 0.07	\$ 561,533	\$ 1,421,078
Granted	2,125,000	0.12	136,199	331,355	\$ 0.12	28,196	164,395
Exercised	(323,000)	0.12	(17,570)	-	-	-	(17,570)
Expired	(1,625,000)	0.12	(96,850)	-	-	-	(96,850)
Balance, June 30, 2022	13,257,500	\$ 0.13	\$ 881,324	9,657,409	\$ 0.12	\$ 589,729	\$ 1,471,053

Option Plan

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

During the three and six months ended June 30, 2022, the Company granted no stock options and 2,125,000 stock options, respectively (350,000 and 1,100,000 granted for the three and six months ended June 30, 2021, respectively) and options vested with a total value of \$65,588 and \$136,200 (\$146,135 and \$180,125 for the three and six months ended June 30, 2021, respectively).

2,125,000 of the options granted by the Company during the six months ended June 30, 2022 vest in eight equal quarterly instalments commencing on the date of grant.

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

7. Share-based payments reserve (continued)

At June 30, 2022, outstanding options to acquire common shares of the Company were as follows:

Expiry date	Options exercise price (CAD\$)	Options outstanding (#)	Options exercisable (#)	Grant date estimated fair value (\$)	Grant date share price	Black-Scholes Inputs			
						Expected volatility based on historical share prices	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
31-Oct-23	0.08	300,000	-	14,987	0.08	135%	5	0%	2.42%
5-Dec-23	0.06	150,000	150,000	4,806	0.06	139%	5	0%	2.21%
9-Jan-24	0.05	1,950,000	1,950,000	52,960	0.05	114%	5	0%	1.82%
4-Mar-24	0.07	200,000	200,000	7,648	0.07	117%	5	0%	1.46%
18-Oct-24	0.08	250,000	250,000	9,051	0.08	109%	5	0%	1.56%
11-Mar-25	0.07	100,000	100,000	3,304	0.07	138%	5	0%	0.55%
15-Jun-25	0.10	4,300,000	4,300,000	259,808	0.10	133%	5	0%	0.36%
7-Aug-25	0.15	2,582,500	2,582,500	120,988	0.14	135%	5	0%	0.32%
1-Mar-26	0.38	300,000	225,000	71,313	0.44	120%	5	0%	0.81%
18-May-26	0.48	350,000	350,000	108,741	0.45	118%	5	0%	0.95%
13-Aug-26	0.37	50,000	25,000	11,747	0.37	113%	5	0%	0.84%
5-Nov-26	0.31	300,000	225,000	33,970	0.31	114%	5	0%	1.36%
13-Dec-26	0.21	300,000	300,000	58,557	0.21	112%	3	0%	1.00%
9-Mar-27	0.12	2,125,000	531,250	154,980	0.12	107%	5	0%	1.65%
		13,257,500	11,188,750	\$ 912,860					

DSU Plan

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

The DSUs are deferred and will be redeemed in the form of one common share for each DSU held on the date the participant ceases to be an eligible director. During the three and six months ended June 30, 2022, the Company granted 209,821 and 331,355 DSUs with a fair value of \$11,512 and \$28,195, respectively, based on the quoted market price of the Company's common shares at the date of grant (127,699 and 157,425 DSUs with a grant date fair value of \$52,226 and \$61,853, respectively, during the six months ended June 30, 2021). As the DSUs will be settled in shares, the value of the DSUs is recorded in share-based payments reserve at the time of issue.

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

8. Warrants

At June 30, 2022, outstanding warrants to acquire common shares of the Company were as follows:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price (CAD)	Estimated fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
13,081,395	13,081,395	27-Sep-19	27-Sep-23	\$ 0.11	\$ 569,100	\$0.08	116%	4	0%	1.47%
3,384,991	3,384,991	24-Apr-20	24-Apr-24	\$ 0.08	\$ 95,813	\$0.06	117%	4	0%	0.38%
2,678,141	2,678,141	8-May-20	8-May-23	\$ 0.06	\$ 43,328	\$0.08	110%	3	0%	0.26%
30,000,000	-	22-Dec-20	22-Dec-25	\$ 0.31	\$ 6,883,852	\$0.35	129%	5	0%	0.20%
1,340,201	1,340,201	21-Jul-21	21-Jul-23	\$ 0.40	\$ 252,177	\$0.43	105%	2	0%	0.46%
50,484,728	20,484,728				\$ 7,844,270					

Based on management's assessment, the vesting conditions for the 30,000,000 warrants granted on December 22, 2020 and included in the table above are not expected to be met. Management has estimated the fair value of these warrants based on information available. No value was recorded in the condensed consolidated financial statements for these warrants at June 30, 2022, as vesting is not expected as at the date of these condensed consolidated financial statements.

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

On January 1, 2021, the Company changed its functional currency for its Canadian entity from US dollars to Canadian dollars. As a result of this change, the Company's warrant liability was extinguished and reclassified as equity.

Warrant transactions during the periods presented were as follows:

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

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

9. Related party transactions

Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 7) and are entitled to participate in the share compensation plan. The Company also has a DSU plan which provides non-executive directors with the ability to redeem annual director compensation through the issuance of common shares of the Company. Certain executive officers are subject to mutual termination notices ranging from three to twelve months. Key management personnel compensation paid comprised:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Short term employee benefits	\$ 337,298	\$ 212,901
Share-based payments	77,259	35,920
	\$ 414,557	\$ 248,821

Officers and directors had 600,000 options vest during the six months ended June 30, 2022 (750,000 for the six months ended June 30, 2021).

The Company is party to certain management contracts. These contracts require payments of approximately \$3.0 million upon the occurrence of a change in control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$636,000 pursuant to the terms of these contracts. As triggering events have not yet taken place, no amounts have been provided for these items.

As at June 30, 2022, the Company had \$723,877 (December 31, 2021 - \$601,633) of consulting fees and travel expenses owing to its key management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and are due on demand.

BLACK IRON INC.

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

For the three and six months ended June 30, 2022 and 2021

10. Commitments and contingencies

Environmental

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

Outbreak of War in Ukraine

On February 24, 2022, Russia invaded Ukraine, as of the date hereof, this war is ongoing. The war has greatly increased perception of risk associated with investments in Ukraine, may have a material adverse effect on the Company's ability to develop the Project. Additionally, the diversion of attention and other resources by the Ukrainian government to defending their territory and resolving hostilities, particularly from its Ministry of Defence who hold essential land for Project development, has negatively affected the Company's ability to acquire the land and obtain or renew permits. Additionally, the withdrawal of the Company's personnel from Ukraine for their safety or other reasons, difficulty in getting foreign or other consultants into Ukraine or their movement within the country, the inability to secure equity or debt financing due to the increased risk profile of both the Project and Ukraine as a jurisdiction, the destruction of property or infrastructure or expropriation or de-facto expropriation of the Project and associated assets, the inability to finance the ongoing maintenance or development of the Project, could all adversely affect the market price of the Company's common shares. It is unlikely that the Project will be viable absent the cessation of hostilities and the establishment of reliable rule of law in Ukraine. See also Note 1 – Going Concern.

Perpetual Iron Inc.

On December 22, 2020, the Company issued 30,000,000 non-transferrable warrants to Perpetual Iron Inc. for facilitating and supporting the negotiations of a non-binding \$100 million royalty. The warrants do not vest until certain conditions are met. 10,000,000 warrants vest upon entering a binding definitive agreement with the investor and the remaining 20,000,000 warrants vest upon the Company's initial draw on the financing facility. If no binding definitive agreement is reached within two years, all warrants will be voided. Additionally, the Company will make a \$4.0 million dollar payment to Perpetual Iron contingent on the Company entering a binding agreement and making an initial draw on the financing facility. Neither the warrants nor the fee have been included in the condensed consolidated financial statements at June 30, 2022 and 2021 as management has estimated that the vesting conditions are not expected to be met.

Novel Coronavirus

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.