



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

For the years ended December 31, 2025 and 2024

Independent Auditor's Report

To the Shareholders of Black Iron Inc.

Opinion

We have audited the consolidated financial statements of Black Iron Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2025 and, as of that date, the Company had an accumulated deficit and a negative working capital. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material uncertainty related to going concern* section, we have determined that there were no additional key audit matters to communicate in our report.

Other information

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

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

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

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

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

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

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

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

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

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
March 16, 2026

BLACK IRON INC.

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

	December 31, 2025	December 31, 2024
ASSETS		
Current		
Cash and cash equivalents	\$ 566,937	\$ 1,776,030
Amounts receivable and prepaid expenses	57,587	51,220
Total current assets	624,524	1,827,250
Property and equipment (Note 5)	461,145	543,187
Total assets	\$ 1,085,669	\$ 2,370,437
LIABILITIES		
Accounts payable and accrued liabilities (Note 7 and Note 10)	\$ 1,271,839	\$ 1,200,242
Lease liability (Note 12)	93,691	87,350
Deposit liability (Note 13)	2,600,000	2,600,000
Total current liabilities	3,965,530	3,887,592
Non-current lease liability (Note 12)	352,870	450,266
Total liabilities	4,318,400	4,337,858
SHAREHOLDERS' (DEFICIENCY)		
Common shares (Note 8)	84,459,366	84,237,825
Share based payments reserve (Note 9)	1,048,070	1,609,624
Accumulated other comprehensive loss	(207,903)	(99,112)
Accumulated deficit	(88,532,264)	(87,715,758)
Total shareholders' (deficiency)	(3,232,731)	(1,967,421)
Total shareholders' (deficiency) and liabilities	\$ 1,085,669	\$ 2,370,437

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 10 and Note 11)

Approved by the Board of Directors on March 16, 2026

"DAVID PORTER", Director

"JOHN DETMOLD", Director

The accompanying notes form an integral part of the consolidated financial statements.

BLACK IRON INC.

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

	Year ended December 31, 2025	Year ended December 31, 2024
Expenses		
Consulting and management fees (Note 10)	\$ 413,483	\$ 418,667
Professional fees expense	85,136	433,571
General office expenses	106,514	171,316
Exploration and evaluation expenses (Note 6)	674,314	829,947
Share-based compensation (Note 9 and Note 10)	183,376	226,529
Travel expenses	(6,811)	266
Shareholder communications and filing fees	59,136	73,904
Loss (gain) on foreign exchange	(83,817)	20,130
Interest expense	54,952	5,194
Interest income	(33,779)	(48,546)
Net loss for the year	\$ 1,452,504	\$ 2,130,978
Other comprehensive loss (income)		
Items that may be subsequently classified to net loss:		
Cumulative exchange translation adjustments	108,791	(88,266)
Total other comprehensive loss (income)	108,791	(88,266)
Comprehensive loss for the year	\$ 1,561,295	\$ 2,042,712
Basic and diluted loss per share (Note 15)	\$0.00	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (Note 15)	305,690,661	304,126,288

The accompanying notes form an integral part of the consolidated financial statements.

BLACK IRON INC.

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

	Common shares		Share based payments	Accumulated deficit	Warrants	Accumulated other comprehensive loss	Total shareholders' (deficiency)
	#	\$	\$	\$	\$	\$	\$
Balance, December 31, 2023	304,126,688	84,237,825	1,507,926	(86,495,200)	782,878	(187,378)	(153,949)
Net loss and comprehensive loss	-	-	-	(2,130,978)	-	88,266	(2,042,712)
Stock options granted (Note 9)	-	-	128,246	-	-	-	128,246
Deferred share units (Note 9)	-	-	100,994	-	-	-	100,994
Stock option expired (Note 9)	-	-	(127,542)	127,542	-	-	-
Warrant expired (Note 9)	-	-	-	782,878	(782,878)	-	-
Balance, December 31, 2024	304,126,688	84,237,825	1,609,624	(87,715,758)	-	(99,112)	(1,967,421)
Net loss and comprehensive loss	-	-	-	(1,452,504)	-	(108,791)	(1,561,295)
Stock option vested (Note 9)	-	-	66,992	-	-	-	66,992
Deferred share units (Note 9)	-	-	117,334	-	-	-	117,334
Deferred share units cancelled (Note 9)	-	-	(282,689)	282,689	-	-	-
Stock option expired (Note 9)	-	-	(353,309)	353,309	-	-	-
Stock option exercised (Note 9)	2,100,000	221,541	(109,882)	-	-	-	111,659
Balance, December 31, 2025	306,226,688	84,459,366	1,048,070	(88,532,264)	-	(207,903)	(3,232,731)

The accompanying notes form an integral part of the consolidated financial statements.

BLACK IRON INC.

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

	Year ended December 31, 2025	Year ended December 31, 2024
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,452,504)	\$ (2,130,978)
Adjustment for:		
Share-based compensation (Note 9)	183,376	226,529
Interest income	(33,779)	(48,546)
Lease interest expense (Note 12)	54,952	-
Depreciation (Note 5)	113,129	2,842
Net cash outflow before working capital changes	(1,134,826)	(1,950,153)
Net change in non-cash working capital	8,475	(89,262)
Cash used in operating activities	(1,126,351)	(2,039,415)
FINANCING ACTIVITIES		
Option exercise (Note 9)	111,659	-
Royalty proceeds (Note 13)	-	2,600,000
Lease payments (Note 12)	(141,847)	(11,821)
Cash (used in) provided by financing activities	(30,188)	2,588,179
INVESTING ACTIVITIES		
Interest received	33,779	48,546
Equipment purchase (Note 5)	(31,087)	-
Cash provided by investing activities	2,692	48,546
Effect of exchange rate changes on cash and cash equivalents	(55,246)	79,383
CHANGE IN CASH AND CASH EQUIVALENTS	(1,209,093)	676,693
CASH AND CASH EQUIVALENTS, beginning of year	1,776,030	1,099,337
CASH AND CASH EQUIVALENTS, end of year	\$ 566,937	\$ 1,776,030

The accompanying notes form an integral part of the consolidated financial statements.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

1. Nature of operations and going concern

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

As at December 31, 2025, Black Iron Inc. held 100% of the shares of Black Iron (Cyprus) Limited which in turn holds a 100% interest in Shymanivske Steel LLC.

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

	Country of incorporation	Percentage of equity interest	
		December 31, 2025	December 31, 2024
Black Iron (Cyprus) Limited	Cyprus	100	100
Shymanivske Steel LLC	Ukraine	100	100

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

For the year ended December 31, 2025, the Company incurred a net loss of \$1,452,504 and as at December 31, 2025, reported an accumulated deficit of \$88,532,264 and negative working capital deficiency of \$3,341,006, including \$566,937 in cash. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt.

In February 2022, Ukraine was subject to an invasion and an act of war. As of the date of approval of these consolidated financial statements, all Company work in Ukraine has been reduced to only essential items to keep permits in good standing and progress Ukraine government land transfer for the Shymanivske Iron Ore Project. The Company's status as a going concern is contingent upon the situation being stabilized such that the Company may continue its activities in Ukraine. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

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

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

1. Nature of operations and going concern (continued)

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

2. Basis of presentation

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements were authorized for issue by the Board of Directors on March 16, 2026.

Basis of measurement

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

3. Material accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of Black Iron Inc. and its subsidiaries for the years ended December 31, 2025 and 2024.

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

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

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

Functional currency and foreign currency transactions

The functional currency of the Company's Canadian entity is Canadian dollars. The functional currency of the Company's subsidiaries is the US dollar. The consolidated financial statements are presented in US dollars. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

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

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

Financial instruments

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement – Financial assets at amortized cost

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement – Financial assets at FVPL

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

Subsequent measurement – Financial assets at FVOCI

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

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

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

Derecognition

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

Impairment of financial assets

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL on initial recognition. The Company's financial liabilities include accounts payable and accrued liabilities, and deposit liability. Accounts payable and accrued liabilities are measured at amortized cost and deposit liability is measured at FVPL. All financial liabilities are recognized initially at fair value.

Subsequent measurement – Financial liabilities at amortized cost

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

Subsequent measurement – Financial liabilities at FVPL

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

Derecognition

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

Provisions

General

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

Rehabilitation provision

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

Provisions (continued)

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprises cash and cashable guaranteed investment certificates at banks.

Operating segments

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

Exploration and evaluation expenditures

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

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

Common shares

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

Income taxes

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

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

Income taxes (continued)

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

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

Share-based payment transactions

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

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

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

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

Deferred share unit plan

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

Lease liabilities and right-of-use assets

At inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

The Company reports its right-of-use asset as part of property and equipment on the consolidated statement of financial position. See Note 5 for continuity schedule of the right-of-use asset and Note 12 for lease liability.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

3. Material accounting policies (continued)

New accounting policies

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods commencing on or after January 1, 2025. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 21 – The Effects of Changes in Foreign Exchange Rates ("IAS 21") - the IASB amended IAS 21 in August 2023 to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on financial statements. The adoption of this standard did not have a significant impact on the Company's financial statements.

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, 2026. Many are not yet 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.

IFRS 18 - In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements to improve reporting of financial performance. The new standards replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new categories and required subtotals in the statement of profit and loss and also requires disclosure of management-defined performance measures. It also includes new requirements for the location, aggregation and disaggregation of financial information. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements. Retrospective application is required and early adoption is permitted.

IFRS 9 - Financial Instruments and IFRS 7 Financial Instruments – Disclosures: In May 2024, the IASB issued amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments - Disclosures. The amendments clarify the derecognition of financial liabilities and introduces an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system. The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features and the treatment of non-recourse assets and contractually linked instruments (CLIs). Further, the amendments mandate additional disclosures in IFRS 7 for financial instruments with contingent features and equity instruments classified at FVOCI. The amendments are effective for annual periods starting on or after January 1, 2026. Retrospective application is required and early adoption is permitted.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

4. Critical judgements and estimation uncertainties

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

Significant judgements in applying accounting policies and accounting estimates and judgements

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

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

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period. See Note 16.

(ii) Contingencies and estimates

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. See Note 11.

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

(iii) Mineral resource estimates

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

4. Critical judgements and estimation uncertainties (continued)

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

(iv) Share-based payments and warrants

Management determines costs for share-based payments and warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgement used in applying valuation techniques, as well as in expectation that options will vest. These assumptions and judgements 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 judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

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

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

(vi) Functional currency

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

(vii) Leases under IFRS 16

Critical judgements are required in the application of IFRS 16, including identifying whether a contract (or part of a contract) includes a lease, and determining whether it is reasonably certain that an extension or termination option will be exercised. Sources of estimate uncertainty include estimation of the lease term, determination of an appropriate discount rate, and assessment of whether a right-of-use asset is impaired. Such judgements, estimates, and assumptions are inherently uncertain, and changes in these assumptions affect the fair value estimates.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

5. Property and equipment

	Vehicles	Office equipment and fixtures	Right-of-use asset (Note 12)	Total
Cost:				
Balance, December 31, 2024	\$ -	\$ 74,347	\$ 544,475	\$ 618,822
Additions	25,888	5,199	-	31,087
Balance, December 31, 2025	\$ 25,888	\$ 79,546	\$ 544,475	\$ 649,909
Depreciation:				
Balance, December 31, 2024	\$ -	\$ 73,518	\$ 2,117	\$ 75,635
Depreciation charge for the year	3,020	1,209	108,900	113,129
Balance, December 31, 2025	\$ 3,020	\$ 74,727	\$ 111,017	\$ 188,764
Net book value:				
As at December 31, 2025	\$ 22,868	\$ 4,819	\$ 433,458	\$ 461,145
Cost:				
Balance, December 31, 2023	\$ -	\$ 74,347	\$ -	\$ 74,347
Additions	-	-	544,475	544,475
Balance, December 31, 2024	\$ -	\$ 74,347	\$ 544,475	\$ 618,822
Depreciation:				
Balance, December 31, 2023	\$ -	\$ 72,793	\$ -	\$ 72,793
Depreciation charge for the year	-	725	2,117	2,842
Balance, December 31, 2024	\$ -	\$ 73,518	\$ 2,117	\$ 75,635
Net book value:				
As at December 31, 2024	\$ -	\$ 829	\$ 542,358	\$ 543,187

All property and equipment of the Company is held in Ukraine.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

6. Exploration and evaluation expenditures

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

	Year ended December 31, 2025	Year ended December 31, 2024
Consulting and technical	\$ 417,604	\$ 253,970
Surface rights and consulting	8,127	436,574
Drilling	11,194	-
Feasibility study	-	87,718
Field office support and administration	58,067	48,843
Depreciation expense	113,129	2,842
Field expense	23,614	-
Permitting	4,800	-
Environmental	37,779	-
	\$ 674,314	\$ 829,947

The Company's principal activity is the exploration and evaluation of its Shymanivske project. The Company's mining permit for the Shymanivske project had an original expiry date of November 2024. The license is deemed to be active while Martial law is still in effect in Ukraine as at the date of approval of these consolidated financial statements.

7. Accounts payable and accrued liabilities

	December 31, 2025	December 31, 2024
Trade payables	\$ 1,017,830	\$ 929,032
Accruals	254,009	271,210
	\$ 1,271,839	\$ 1,200,242

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

8. Common shares

Authorized

Unlimited number of common shares without par value.

	Number of Common shares	Amount
Balance, December 31, 2023 and December 31, 2024	304,126,688	\$ 84,237,825
Option exercise	2,100,000	221,541
Balance, December 31, 2025	306,226,688	\$ 84,459,366

9. Share-based payments reserve

	Number of stock options	Weighted average exercise price CAD	Carrying amount of vested options	Number of DSU	Weighted average exercise price CAD	Carrying amount of DSU	Total carrying amount
Balance, December 31, 2023	12,582,500	\$ 0.12	\$ 852,549	10,878,453	\$ 0.07	\$ 655,377	\$ 1,507,926
Granted / Vested	4,725,000	0.03	128,246	2,789,253	0.06	100,994	229,240
Expired	(2,700,000)	0.05	(127,542)	-	-	-	(127,542)
Balance, December 31, 2024	14,607,500	\$ 0.10	\$ 853,253	13,667,706	\$ 0.06	\$ 756,371	\$ 1,609,624
Granted / Vested	6,225,000	0.13	66,992	1,254,823	0.13	117,334	184,326
Exercised	(2,100,000)	0.08	(109,882)	-	-	-	(109,882)
Expired	(5,782,500)	0.11	(353,309)	-	-	-	(353,309)
Cancelled	-	-	-	(5,011,433)	0.08	(282,689)	(282,689)
Balance, December 31, 2025	12,950,000	\$ 0.12	\$ 457,054	9,911,096	\$ 0.08	\$ 591,016	\$ 1,048,070

Option Plan

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

During the year ended December 31, 2025, the Company granted 6,225,000 stock options (4,725,000 granted for the year ended December 31, 2024) and options vested with a total value of \$66,992 (\$128,246 for the year ended December 31, 2024).

Options exercised during the year ended December 31, 2025 had a weighted average share price on the date of exercise of \$0.12.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

9. Share-based payments reserve (continued)

At December 31, 2025, outstanding options to acquire common shares of the Company were as follows:

Grant date	Expiry date	Options exercise price (CAD\$)	Options outstanding (#)	Options exercisable (#)	Grant date estimated fair value (\$)	Black-Scholes Inputs				
						Grant date share price (\$)	Expected volatility based on historical share prices	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
18-May-21	18-May-26	0.48	350,000	350,000	108,741	0.45	118%	5	0%	0.95%
13-Aug-21	13-Aug-26	0.37	50,000	50,000	11,747	0.37	113%	5	0%	0.84%
5-Nov-21	5-Nov-26	0.31	300,000	300,000	33,970	0.31	114%	5	0%	1.36%
9-Mar-22	9-Mar-27	0.12	1,650,000	1,650,000	112,527	0.12	107%	5	0%	1.65%
10-Aug-23	10-Aug-28	0.08	200,000	200,000	9,759	0.08	114%	5	0%	3.93%
29-Aug-24	29-Aug-29	0.05	4,175,000	4,175,000	113,319	0.05	114%	5	0%	3.01%
1-Apr-25	1-Apr-30	0.13	500,000	250,000	29,571	0.13	118%	5	0%	2.57%
17-Dec-25	17-Dec-29	0.14	5,725,000	-	37,420	0.14	119%	4	0%	2.98%
			12,950,000	6,975,000	457,054					

On April 1, 2025, the Company granted 500,000 stock options to an officer of the Company. These stock options vest in four equal installments every three months, with the first installment vesting three months from the grant date.

On December 17, 2025, the Company granted 5,725,000 stock options to consultants and officers of the Company. These stock options vest in four equal installments every three months, with the first installment vesting three months from the grant date.

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. The DSUs have no expiration date. During the year ended December 31, 2025, the Company granted 1,254,823 DSUs with a fair value of \$117,334, based on the quoted market price of the Company's common shares at the date of grant (2,789,253 DSUs with a grant date fair value of \$100,994 during the year ended December 31, 2024). 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.

5,011,433 DSUs were forfeited by a director of the Company during the year ended December 31, 2025. On resignation, the director indicated that he would not be exercising his right to the shares and as such, they were cancelled by the Company.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

10. Related party transactions

Key management personnel compensation

In addition to their contracted fees, executive officers participate in the Company's stock option program (Note 9). The Company also has a DSU plan which provides non-executive directors with the ability to redeem annual director compensation through the issuance of common shares of the Company. Certain executive officers are subject to mutual termination notices ranging from three to twelve months. Key management personnel compensation paid comprised:

	Year ended December 31, 2025	Year ended December 31, 2024
Short term employee benefits	\$ 431,502	\$ 422,507
Share-based payments	180,848	208,164
	\$ 612,350	\$ 630,671

Officers and directors had 250,000 options vest during the year ended December 31, 2025 (4,000,000 for the year ended December 31, 2024).

The Company is party to certain management contracts. These contracts require payments of approximately \$1.2 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 \$390,000 pursuant to the terms of these contracts due within one year. As triggering events have not yet taken place, no amounts have been accrued for these items.

As at December 31, 2025, the Company had \$nil (December 31, 2024 - \$nil) owing to its management personnel. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and are due on demand.

11. 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.

Contract commitments

The Company has a contract with financial advisors that contains a success fee that is payable on consummation of a transaction. As a transaction has not taken place, the contingent payment has not been reflected in these consolidated financial statements.

The Company has a contract with a consultant that contains a success fee that is payable on completion of certain land agreements. As these agreements have not been completed, the contingent payment has not been reflected in these consolidated financial statements.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

12. Lease liability

In December 2024, the Company entered into a lease agreement for land in Kryvyi Rih. The monthly rent payable under the terms of the lease was \$11,820. The lease is for fixed term of five years commencing December 2024. The Company used a discount rate of 11.5% in determining the present value of the lease payments.

Lease liability as at December 31, 2023	\$	-
Additions		544,475
Interest expense		4,962
Lease payments		(11,821)
Lease liability as at December 31, 2024	\$	537,616
Interest expense		54,952
Lease payments		(141,847)
Foreign exchange		(4,160)
Lease liability as at December 31, 2025	\$	446,561

	December 31, 2025	December 31, 2024
Current lease liability	\$ 93,691	\$ 87,350
Non-current lease liability	352,870	450,266
	\$ 446,561	\$ 537,616

Future undiscounted minimum lease payments for the lease agreements are as follows:

	December 31, 2025	December 31, 2024
Within one year	\$ 141,847	\$ 141,847
After one year but not more than five years	413,720	555,566
More than five years	-	-
	\$ 555,567	\$ 697,413

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

13. Royalty agreement with Anglo American

In November 2024, the Company announced it had entered into a royalty agreement and offtake agreement with Anglo American Marketing Limited ("Anglo American") for a \$4,000,000 royalty investment, offtake rights and future potential construction prepayments. Under the terms of the royalty agreement, Anglo American will invest \$4,000,000 in two tranches for a gross revenue royalty of 1% should the prevailing 65% iron CFR China iron ore price be less than \$120 per tonne and 1.5% should the price be equal to or higher than \$120 per tonne for the first 60,000,000 tonnes of production at the Shymanivske project (the "Royalty"). Subject to the Company renewing its permit and commencing production, the term of the royalty agreement will be the longer of ten years from the commencement of extraction of iron ore concentrate and the period required for the Company to produce 60 million tonnes of iron ore concentrate.

The first tranche of the royalty agreement consisting of \$2,600,000 was received in November 2024. The second tranche of the royalty agreement consisting of \$1,400,000 will be paid contingent upon the renewal of the Shymanivske project permit by the Company. The Royalty will become effective after Black Iron receives the second tranche.

The Company has pledged its shares in its Shymanivske Steel LLC subsidiary as security for the royalty agreement.

The Company reserves the right to buy back the Royalty at any time during the term at a price that provides a pre-agreed internal rate of return of 25% to Anglo American.

Anglo American's investment in the Royalty secures it offtake rights to the higher of (a) 60% or (b) 2,400,000 tonnes per year during the Phase 1 of production for life of mine, with Phase 1 defined as the period when the Company is producing 4,000,000 tonnes per year. The offtake agreement also provides for a right of first offer for Anglo American to further invest at least 15% of the Phase 1 construction cost as part of a consortium after the conflict in Ukraine ends. Such an investment would increase Anglo American's offtake to 100% of the Phase 1 production. Additionally, Anglo American has first refusal rights to fund a further 15% of expansion construction costs for Phase 2 of the Shymanivske project. Such funding of Phase 2 would secure Anglo American 100% of the life of mine offtake rights for Phase 2 of the Shymanivske project.

As at December 31, 2025 and 2024, the deposit liability has been accounted for as a current financial instrument at FVPL, as a level 3 instrument in the fair value hierarchy as the Royalty is not yet effective. Due to the short-term nature of the instrument, the fair value approximates the face value of the instrument.

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

14. Financial risk management objectives and policies

The Company's financial instruments comprise cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and deposit liability.

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

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

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' (deficiency), where applicable. The sensitivity has been prepared for the year ended December 31, 2025 using the amounts of other financial assets and liabilities held as at the consolidated statement of financial position date.

Credit risk

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

Liquidity risk

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

The Company's financial liabilities at December 31, 2025 and 2024 include accounts payable and accrued liabilities, and deposit liability that were based on contractual undiscounted payments that are all due in less than one year.

Market risk

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

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

A portion of the Company's transactions are carried out in other transactional currencies including the Canadian dollar and Ukrainian Hryvnia ("UAH") which are subject to currency fluctuations. The following summarizes the US dollar amounts of assets and liabilities denominated in other currencies at December 31, 2025:

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

14. Financial risk management objectives and policies (continued)

		CAD		UAH
Cash and cash equivalents	\$	4,503	\$	1,912
Amounts receivable		18,272		495
Accounts payable and accrued liabilities		(1,223,793)		(42,617)
	\$	(1,201,018)	\$	(40,210)

A \$0.01 strengthening or weakening of the US dollar against the Canadian dollar at December 31, 2025 would result in an increase or decrease in the operating loss of \$16,000. A \$0.01 strengthening or weakening of the US dollar against the UAH would result in an increase or decrease in operating loss of approximately \$17,000.

Interest rate risk

The Company has cash and cash equivalents balances and all amounts are held with accredited banks. As of December 31, 2025, the Company had short term guaranteed investment certificates of \$400,000 held with an accredited Canadian bank (December 31, 2024 – \$1,200,000). A change in interest rate of +/- 1% would result in a change in interest income of \$4,000.

Capital management

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

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2025 and 2024.

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

15. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Basic and diluted weighted average number of shares for the year ended December 31, 2025 was 305,690,661 (304,126,288 for the year ended December 31, 2024).

The diluted loss per share for the years ended December 31, 2025 and 2024 exclude all share purchase options, and DSUs of the Company as they were determined to be anti-dilutive. For the year ended December 31, 2025, basic and diluted loss per share was \$0.00 (\$0.01 for the year ended December 31, 2024).

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

16. Income taxes

(i) Provision for income taxes

Major items causing the Company's effective tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2024 – 26.5%) were as follows:

	2025	2024
Accounting loss before income tax	\$ (1,452,504)	\$ (2,130,978)
Canadian Statutory Tax Rate	26.50%	26.50%
Expected income tax recovery based on statutory rate	\$ (385,000)	\$ (565,000)
Adjustment to expected income tax benefit:		
Stock based compensation	49,000	60,000
Expenses not deducted for tax purposes	77,000	64,000
Other	(541,000)	1,235,000
Change in benefit of tax assets not recognized	800,000	(794,000)
Deferred income tax provision (recovery)	\$ -	\$ -

(ii) Temporary differences

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

	2025	2024
Non-capital loss carry-forwards - Canada	\$ 48,551,000	45,919,000
Share issue costs	-	176,000
Mineral property costs - Ukraine	2,434,000	2,449,000
Non-capital loss carry-forwards - Cyprus	1,071,000	1,901,000
Non-capital loss carry-forwards - Ukraine	2,614,000	2,251,000
Total	\$ 54,670,000	\$ 52,696,000

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

BLACK IRON INC.

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

For the years ended December 31, 2025 and 2024

16. Income taxes (continued)

(iii) Tax loss carry-forwards

The non-capital losses for Canadian income tax purposes of approximately \$48,551,000 expire between 2031 to 2045.

The non-capital losses for Cyprus can be carried forward for five years and expire between 2026 and 2030.

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