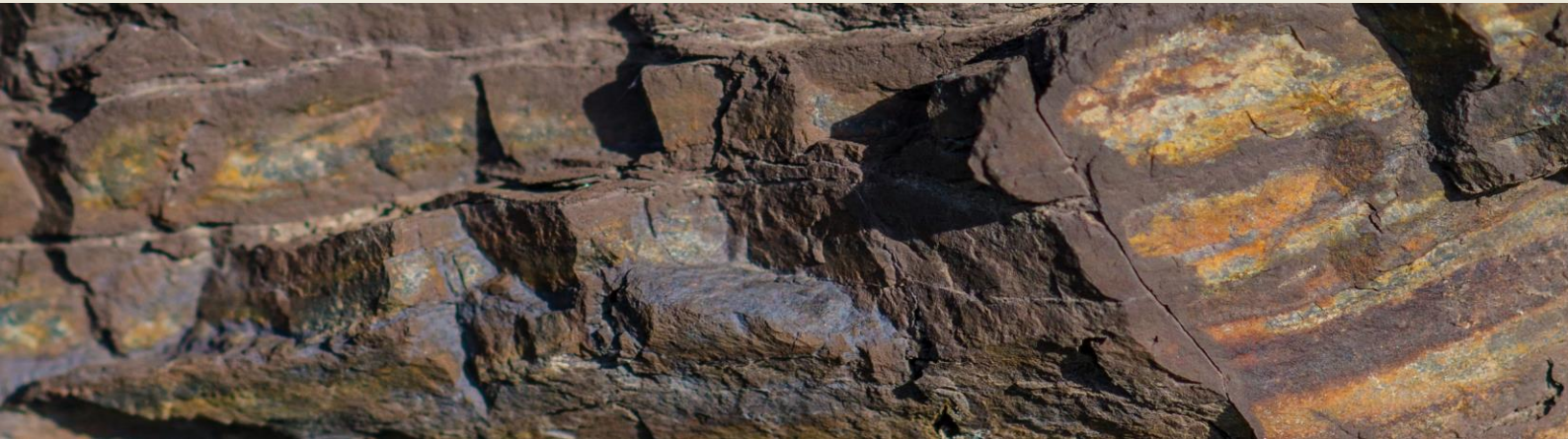




Top Rated Iron Ore Pellet Feed Project in the World



Key Data

Listing:	TSX
Ticker:	BKI
Shares Outstanding:	259,939,588
Share Price:	C\$0.46
Market Cap:	C\$119.57
Cash Balance:	C\$1.98
Debt	C\$1.93m
Warrants:	58,557,860
Av exercise price:	C\$0.20
Options:	14,617,500
Av exercise price:	C\$0.1
DSU	9,040,848
Fully Diluted:	342,155,796
Asset Location:	Ukraine

Resources

	Tonnage (Mt)	Fe Total (%)
Measured	355	32.0%
Indicated	290	31.1%
Total M&I	646	31.6%
Inferred	188	30.1%

Black Iron

Black Iron (TSX:BKI) are developing the Shymanivske Iron ore pellet feed mine in heart of the KrivBass iron ore mining district in Ukraine.

- Highest return unfinanced greenfield project in the world (Wood Mackenzie)
- Expected Opex of US\$33/t - lowest cost undeveloped pellet feed project Globally (CRU) when adjusting to 62% iron content and transportation to China
- Current Measured & Indicated Resource of 645.8Mt at 31.6% Fe
- Phase 1 - 4Mtpa ramping up to 8Mtpa in Phase 2
- 17-year mine life, with the orebody remaining open to the north and at depth
- Existing infrastructure and logistics (power, rail and port) with LOI's in place
- High-grade product 68% Fe, puts it in top 4% for quality globally and substantially reduces greenhouse gas emissions during steel production
- NPV_{10%} of US\$1.4Bn, 34% IRR, a 2.9 year pay-back at a US\$62/t LT iron ore price
- Tianjin Benchmark currently at US\$174/t (181% above the price used in the PEA)
- Expected Opex of US\$33/t - lowest cost undeveloped pellet feed project Globally (CRU) when adjusting to 62% iron content and transportation to China
- Experienced management team capable of delivering project
- Strong local support at all levels including President of Ukraine
- US\$170m potential savings in tax and duties
- Non-binding agreements for debt, mezzanine and royalty funding in place
- Phase 1 capex of US\$452m potentially funded

In terms of valuation metrics, if we look at after tax NPV_{8%} using current broker consensus long term Fe price of US\$68.75/t or earnings multiples for existing iron pellet producers in Ukraine, both then heavily discounted by 90% for financing and construction risk, we get a valuation between US\$182-US\$316m. This is a 1.8-3.16 multiple of the company's current market capitalisation of C\$124.82m (US\$99.86m).

This all leads us to believe that for those comfortable with the Ukraine, this is the most exciting iron ore development project available in the world today.

Disclaimer

This is a marketing communication. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Non-US research analysts who have prepared this report are not registered/qualified as research analysts with FINRA, may not be associated persons of the member organisation and may not be subject to NASD/NYSE restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Disclosures can be found at the end of the report.

Analyst

Dr Mark Heyhoe
mark@fox-davies.com

Black Iron – Ready to Launch

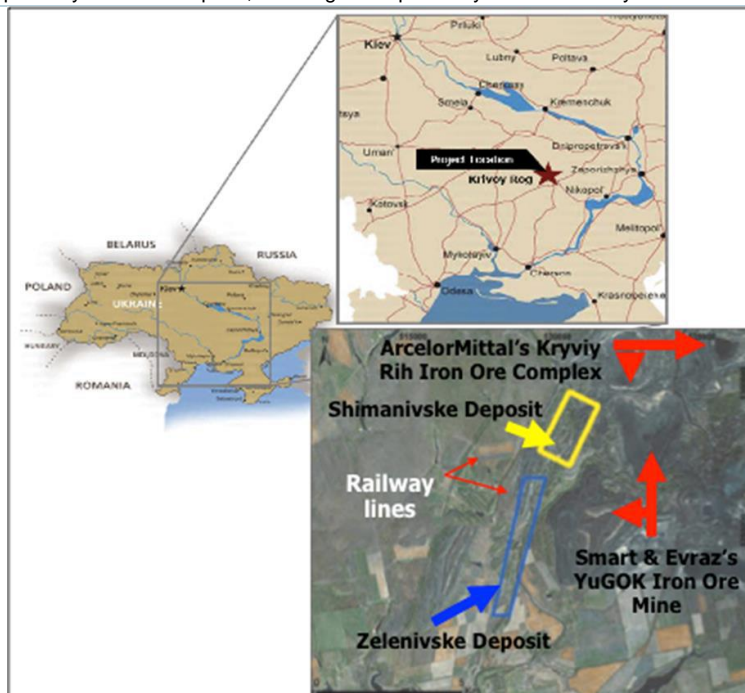
Black Iron (TSX:BKI) are developing the Shymanivske Iron ore pellet feed mine in heart of the KrivBass iron ore mining district in Ukraine. The project is surrounded by 7 other open pit iron ore mines and the availability of existing infrastructure, including rail, port, power and water means BKI can develop the project in two phases, reducing initial capital requirements and funding the second phase from cashflow.

The March 2020 PEA was based on an initial 4Mtpa with Phase 2 ramping up to 8Mtpa of a premium grade 68% Fe pellet feed over a 17-year mine life; with the orebody remaining open to the north and at depth. According to CRU, the estimated opex costs of US\$33/t, once normalized to a 62% iron content product shipped to China, make it the lowest cost undeveloped pellet feed project in the world. Non-binding agreements for debt, mezzanine and royalty funding are in place which could fund the entire Phase 1 capex of US\$452m. Finalising this funding and surface land access are the final items before construction can commence.

Using a US\$62/t long term benchmark iron price, the project returns a NPV_{10%} of US\$1.4bn and a 34% IRR, which according to Wood Mackenzie, makes it the highest return unfinanced greenfield project in the world. Given the benchmark iron price is currently US\$174/t, 181% above the price used in the PEA, there is considerable upside to valuation.

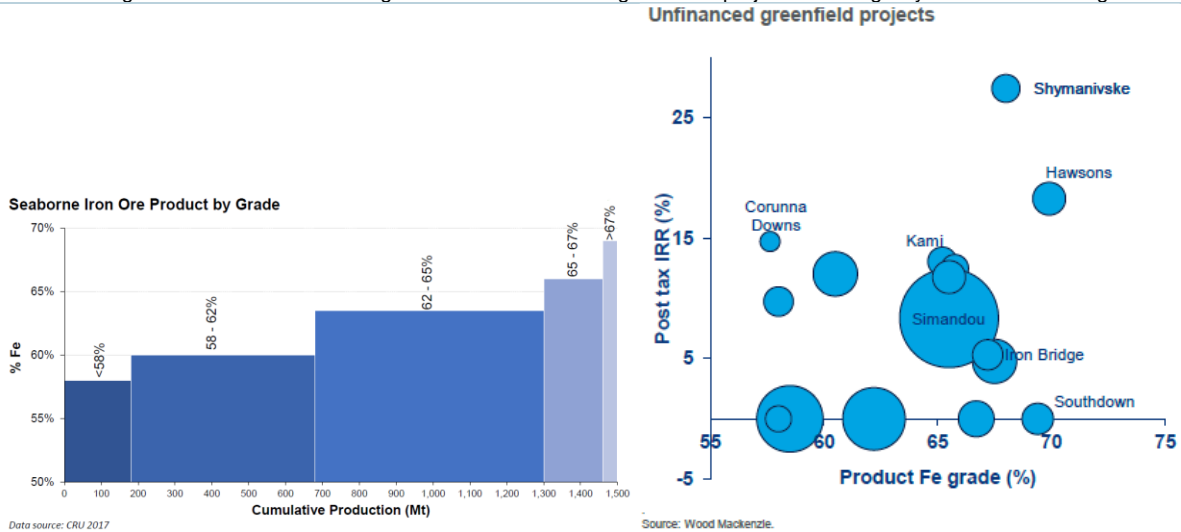
The management team (Appendix A), led by CEO Matt Simpson, former General Manager for Rio Tinto's Iron Ore Company of Canada, which produces 17.9Mtpa of iron ore pellets and concentrate. Leads us to believe that, for those comfortable with the Ukraine, this is the most exciting iron ore development project available in the world today.

Figure 1: Location map of Shymanivske deposit, showing close proximity to other nearby iron ore mines and infrastructure.



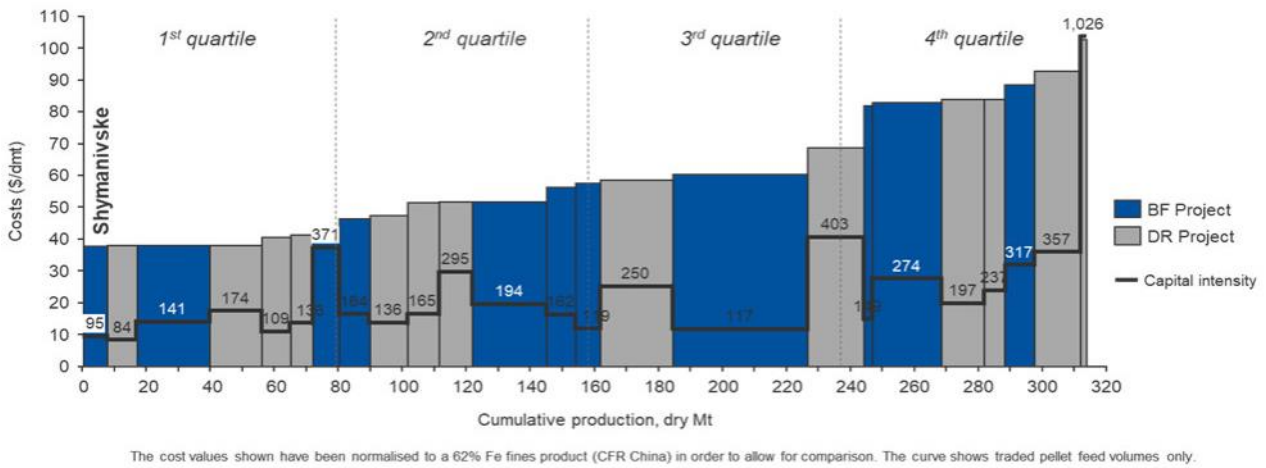
Source: Black Iron

Figures 2 and 3: Seaborne iron ore volumes by grade indicating Black Irons 68% Fe product will be in the top 4% by quality and Chart showing Post-Tax IRR vs Product grade for the unfinanced green field projects showing Shymanivske offers highest return.



Source: Black Iron, CRU, Wood Mackenzie (2020)

Figure 4: CRU Market Report Indicated Shymanivske was the lowest cost pellet feed development project in the world.



Source: Black Iron, CRU (2020)

Project History

Black Iron listed in Toronto in 2011 raising C\$38m, and over the following three years rapidly advanced the project. In January 2011, it produced a JORC Resource estimate based on historical drilling, forming the basis of a Preliminary Economic Assessment (PEA) produced at the end of the year. The PEA was based on the development of mining and mineral processing operations capable of producing 7.3Mtpa of iron ore concentrate grading 67% Fe, and included an option to add a 7.6Mtpa acid blast furnace pellets at the mine site. A year later this study was upgrade to a full Feasibility study (FS), this time based on the development of 9.2Mtpa of iron ore concentrate capacity producing a 68% Fe product. In January, 2014 the FS was updated to 9.9Mt based on full pilot plant test work resulting in a more compact and efficient processing plant.

At this stage, having secured a C\$511m construction finance commitment from Metinvest and was in advanced negotiations for a pre-paid offtake agreement, BKI commenced gearing up to start construction.

However, in February 2014 following the removal of Ukrainian president Viktor Yanukovich (after he refused to sign an association agreement with the European Union in November 2013) saw the start of the Russo-Ukrainian War and the project being put on care and maintenance until 2018. During this period Metinvest divested as did the company's two largest shareholders, and offtake discussions collapsed on the back of weak iron ore prices.

As the political situation in Ukraine stabilized, currently at peace based on a July 2020 ceasefire, in late 2017 BKI revisited the project, the resultant PEA splitting the project into two smaller development phases, reducing the initial capex from over US\$1Bn to produce 9.9Mtpa to US\$452m for 4Mtpa, in the environment of strong iron ore demand, have again attracted significant investment interest to develop the project.

Prior to the middle of 2014, Ukraine artificially pegged its currency at 8 Ukrainian hryvnia (UAH) to US\$1, but since switching to a floating rate the exchange rate now averages around 28UAH:US\$1. After allowing for inflation, Black Iron's cost to construct and operate Shymanivske is now roughly two-thirds lower than it was when it was gearing up for construction in 2014.

Geology

The Shymanivske project is situated in the Kryvyi Rih Basin, a Paleoproterozoic synclorium structure in the Archean Ukrainian Shield; one of several Ukrainian iron formation-hosting basins on micro-plate boundaries. The iron formation on the Property is of the Lake Superior-type, consisting of banded sedimentary rocks composed principally of bands of iron oxides, magnetite and hematite within quartz or chert-rich rock, and contains variable amounts of silicate, carbonate and sulphide lithofacies. Such iron formations have been one of the principal sources of iron throughout globally.

The mineralisation of economic interest is a magnetite-rich taconite that contains minor hematite throughout with some supergene iron mineralization with associated concentrations of martite and goethite/limonite. The taconite mineralisation extends along the entire NE-SW extent of the Property for 2.2 km and beyond, occurring over a width of 800m to 1 km in a NW-SE direction. The taconite is folded and its true thickness varies throughout because of tectonic thickening, erosion and possibly the original basin topology. The true thickness of the iron formation package, including the intervening inter-oxide iron formation "slate" members, is on the order of 200m to 250m.

Exploration and Resources

Black Iron initiated exploration of the Property in 2011 and over time conducted Phase I and Phase II diamond drilling programmes as well as ground magnetic and gravity surveys, including satellite imaging. Over both phases, BKI drilled 70 holes for a total 17,477m. Including historic verified data a total of 54,000m of drilling data was available for the resource estimation.

In December, 2011 BKI estimated an updated in-house Measured and Indicated resource for Shymanivske which was verified by Watts, Griffis and McQuat of 645.8Mt (Table 1), whilst remaining open to the north and at depth.

Table 1: Categorized Mineral Resource Estimate for the Shymanivske Iron Ore Deposit (Cut-off Grade of 10% Fe (mag))

Category	Tonnes (M)	Fe (Total) %	Fe(mag) %
Measured	355.1	32	19.5
Indicated	290.7	31.1	17.9
Total	645.8	31.6	18.8
Inferred	188.3	30.1	18.4

Source: Black Iron

The Preliminary Economic Study (PEA) pit optimisation analysis was done based on improved costs, mining dilution and recovery, to calculate the available resources within the open pit design (Table 2). This generated a mineable Measured and Indicated resource of 389Mt at 19.6% Fe (mag).

Table 2: Subset of Mineral Resources within the Open Pit Design (Above 13% Fe (mag) Cut-off)

Material	Tonnes (M)	Fe (Total) %	Fe(mag) %
Measured	283	31.4	19.4
Indicated	106	31.2	19.00
Total M&I	389	31.4	19.3
Inferred	22	31.2	19.6
Overburden	108		
Waste Rock	286		
Total Stripping	394		
Strip Ratio	1.0		

Source: Black Iron

Metallurgical Testwork and Processing

A significant amount of testwork has been completed over a number of years, including during the 2012 BFS by WorleyParsons and pilot scale testwork on major equipment by Lycopodium for the 2014 BFS. Results from this testwork were also benchmarked off of neighbouring operating iron ore mines to further increase confidence. The main conclusion from this was that the iron mineralisation can be processed and upgraded to the targeted specifications with crushing, stage grinding, low intensity magnetic separation and sulphide flotation. Final testwork suggested that a 80% grind size of 32 µm was required to achieve a concentrate grading 68% iron, 4.5% silica, with a sulphur content of 0.05% which should be a very attractive product for steel mills with interconnected pellet plants globally.

In order to produce a saleable concentrate with the desired specification, the ore will be processed through stage crushing, stage grinding, low-intensity magnetic separation and sulphide flotation.

Economic Study

BKI released a Bankable Feasibility Study in 2012, which was updated in 2014 to produce 9.9Mtpa for around US\$1Bn, and subsequently re-scoped in 2017 as a

Preliminary Economic Study (PEA) and amended in 2020 to reduce the upfront capital costs based on a two-phased build out of the mine and production plant. After a two-year construction period the first phase operation would produce 4Mtpa of high-grade 68% iron concentrate for an initial capital cost of US\$452m including a 17% contingency. Production would expand to 8Mtpa starting in the fifth year of production for an additional US\$365m funded largely from cashflow. The PEA was updated in March, 2020 to reflect an updated mine model and strip ratio and the highlights are summarised in Table 3.

Table 3: Summary of updated PEA for Shymanivske (2020)

Production	Phase 1: 4Mtpa
	Phase2: 8Mtpa
Product Fe Content	68%
Capex inc 17% Contingency	Phase 1: US\$452m
	Phase 2: US\$364m
Opex (av FOB)	US\$33/t
LT CFR China benchmark Price (62%)	US\$62/t
Est Sales Price (68% FOB Yuzhny Port)	US\$97/t
NPV10% Pre-Tax	US\$1.9bn
Post-tax	US\$1.4bn
IRR Pre-Tax	41%
Post-tax	34%
Av FCV Pre-Tax	US\$360m pa
Post-tax	US\$301m pa
Est Mine Life	17 years

Source: Black Iron

The PEA was based on long term 62% iron ore price delivered to China of US\$62/t. As a premium product BKI's 68% iron content will achieve a premium to this, which was modelled at US\$97/t. This generated a post-tax NPV_{10%} of US\$1.4Bn with a 34% IRR, making it the highest return undeveloped iron ore project in the world. However, with the benchmark iron price currently at US\$174/t, 181% above the price used in the PEA, this looks extremely conservative.

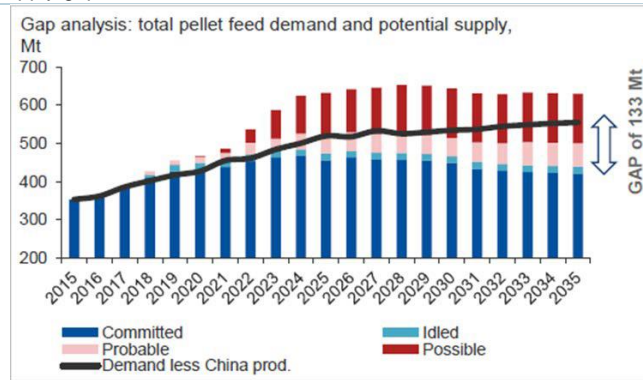
Table 4: Sensitivity of Pre-Tax NPV and IRR to benchmark iron price and grade premiums

Pre-Tax IRR and NPV at 10% Discount Rate							
Sensitivity to Base 62% Fe CFR and %Fe Grade Premium							
62% Fe \$/dmt		Fe Premium (\$/dmt per 1% Fe)					
		\$4.00	\$5.00	\$6.00	\$7.21	\$8.00	\$9.00
\$50.00	IRR	20.4%	24.6%	28.6%	33.3%	36.2%	39.9%
	NPV _{10%}	\$545 M	\$797 M	\$1 049 M	\$1 354 M	\$1 553 M	\$1 805 M
\$61.88	IRR	28.5%	32.4%	36.1%	40.5%	43.4%	46.9%
	NPV _{10%}	\$1 044 M	\$1 296 M	\$1 547 M	\$1 852 M	\$2 051 M	\$2 303 M
\$70.00	IRR	33.7%	37.4%	41.1%	45.3%	48.1%	51.5%
	NPV _{10%}	\$1 384 M	\$1 636 M	\$1 888 M	\$2 193 M	\$2 392 M	\$2 644 M
\$80.00	IRR	39.9%	43.4%	46.9%	51.1%	53.7%	57.1%
	NPV _{10%}	\$1 804 M	\$2 056 M	\$2 308 M	\$2 613 M	\$2 811 M	\$3 063 M
\$90.00	IRR	45.8%	49.2%	52.6%	56.7%	59.3%	62.5%
	NPV _{10%}	\$2 224 M	\$2 476 M	\$2 727 M	\$3 032 M	\$3 231 M	\$3 483 M

Source: Black Iron

Since late 2016, there are strong indications that the iron ore market is again morphing and favouring higher iron grade products (*i.e.* >62% Fe) at the detriment of lower grade producers. Primarily driven by Chinese steel mills seeking to become more efficient and lessen their environmental footprint, as using pellets removes the need for sintering, the most polluting part of the steel making process, whilst reducing amount of coking coal. As a result, demand for pellet feed demand will continue to grow, with CRU forecasting a supply gap in the next few years growing to 133Mt by 2035, further increasing price premiums. At 68% Fe, we believe that BKIs pellet feed product will have the lowest environmental impact and attract the highest premiums.

Figure 5: CRU analysis of iron ore pellet feed supply gap



Source: CRU (2021)

Access to Infrastructure

The Shymanivske deposit is located in the Southern part of the Krivbass. There are currently seven operating open pit iron ore mines in the district and the project is less than 2km from two open pit iron ore mines owned by ArcelorMittal and Metinvest/Evraz Steel. This nearby development provides BKI with all the required infrastructure it needs, providing a significant capital construction cost and time savings. The project is 2km from the State owned Moiseevka rail station where dry concentrate will be freighted on a government owned railway to the Black Sea port Yuzhny, owned by TransInvestServic (TIS). In total there are five ports within 230-430km of the project providing access to international markets. Since 2001, PKP Linia Hutnicza Szerokotorowa sp. z o.o. has operated the Broad Gauge Metallurgy Line transporting 10Mtpa of iron ore and coal from Ukraine to the Katowice Steelworks in Poland. In 2020 they ran their first trains from the Chinese city of Xi'an to Sławków in Poland via Ukraine. This is a Broad Gauge Line all the way to the Chinese border carrying only freight which opens the possibility of transporting ore via rail direct from Ukraine to China.

Power is available from the existing 150 kV Gornaya Substation owned by the local power utility Dneprovskaya ElectroEnergeticheskaya Systema, 30km to the south east of the project.

BKI has signed a letter of intent (LOI) for necessary capacity of power and water for processing, rail for haulage, and deep draft port facilities. The city of Kryvyi Rih, with a population of 620k is located only 8km distant, the operational home to ArcelorMittal Kryvyi Rih, Metinvest and Evraz, providing a large pool of skilled labour.

The availability of existing infrastructure enabled BKI to adopt the two phase development, funding the second phase from cashflow and greatly reducing initial capital requirements.

Financing

Due to the existing infrastructure, the capex requirements are relatively small for a project of this size, and the company is well advanced in its financing discussions, planning to fund the development through a combination of Senior debt, mezzanine and equity finance (see Figure 6). When evaluating bulk commodity projects, invariably infrastructure is substantially more important than geology.

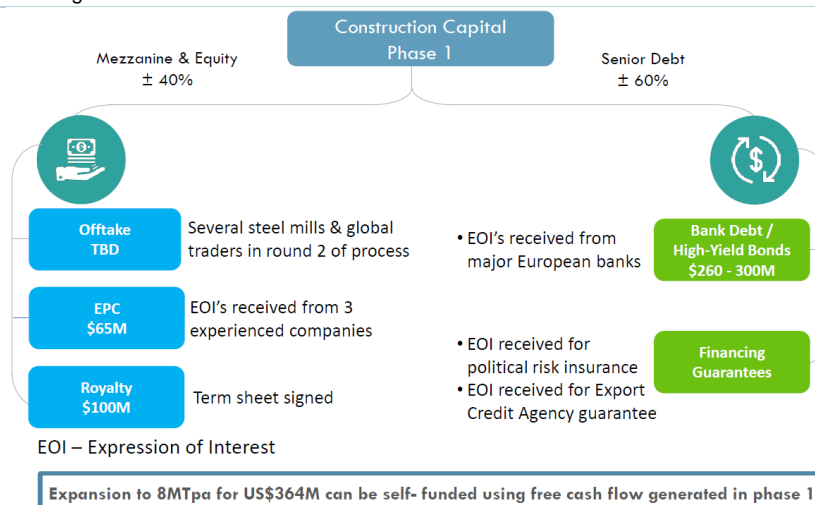
Debt

BKI is in advanced ongoing discussions with international finance institutions and European based banks, several of which are actively lending to producing iron ore companies in Ukraine. Under all the pricing scenarios used in the PEA, the project generates substantial free cash flow and can easily repay the principal and interest. Given the low debt requirement and the fact that benchmark prices are 181% above the current base case used, we believe that this is an attractive project for lenders. To date the company has received nonbinding term sheets from global investment banks for \$260 to \$300 million in first lien financing.

Offtake

Due to the proximity to rail, power, ports and people, the fact that the project is scalable, has low capital intensity and operating costs, there is a lot of interest from potential offtake partners. During 2020, a number of interested steel mills and global commodity trading houses visited the Shymanivske Project site as part of their due diligence, to invest in project construction in exchange for long term purchase of Black Iron’s Phase 1 pellet feed. The Company has received multiple nonbinding term sheets in this regard. Discussions are now well advanced and BKI expects to announce its first commercial arrangement in the next few months.

Figure 6: Potential funding structure



Source: Black Iron

Royalty

At the end of December, BKI announced that it had entered into a non-binding royalty term sheet for US\$100m with a prominent United States based institutional investor. These funds would be funded upon entering into a binding definitive

agreement and the achievement of certain closing conditions; in exchange the investor is entitled to receive a perpetual 6.75% royalty on the 4Mtpa Phase 1 production.

Conversion of these non-binding commitments would provide sufficient funds to complete the construction of Phase 1 (4Mtpa).

Ukraine

Ukraine is 2nd largest country in Europe. Ukraine is bordered by Belarus to the north, Russia to the east, the Sea of Azov and the Black Sea to the south, Moldova and Romania to the southwest, and Hungary, Slovakia, and Poland to the west.

Ukraine gained independence after the collapse of the Soviet Union in 1991 and has since veered in between seeking closer integration with Western Europe, and historical and cultural ties with Russia. An uprising against pro-Russian President Viktor Yanukovich in 2014 ushered in a Western-leaning government. Supporting the ethnic Russian community, Russia used the opportunity to seize the Crimean Peninsula and supply armed insurgent groups, occupying parts of the industrialised east. Since July 2020 there has been a cease-fire between the Ukrainian government and Russian-backed forces.

Current President Volodymir Zelensky was elected in March 2019, on a platform of economic and social reform as well as ending the conflict in eastern Ukraine. Since then, Fitch has upgraded Ukraine's Sovereign Risk rating to B (stable). The World Bank also ranks Ukraine in their 2020 annual Doing Business Index 64 out of 190 countries which is a substantial improvement over the last decade.

Agriculture and mining are mainstays of the economy, especially iron ore and coal. Ukraine had eight leading mining and beneficiation complexes (GOKs) working with iron ore. Four of them—the Inguletskiy GOK, the Severnyi, GOK, the Tsentral'nyi GOK, and the Yuzhnyi GOK—were wholly owned by Metinvest. Metinvest also owns the Krivorozhskiy and the Zaporozhskiy iron ore complexes. The Poltavskiy and the Yeristovskiy GOKs are owned by Ferrexpo plc, the Sukha Balka GOK are owned by Evraz Group S.A., and ArcelorMittal Kriviy Rih is owned by ArcelorMittal. Exported iron ore was shipped to China (receiving 45.3% of the total, in terms of value), Poland (10.4%), and the Czech Republic (10.2%).

New Investment Laws

In early February, Ukraine's government passed new law aimed to attract investment by providing significant tax reductions and land transfer rights. The highlights of this new law include:

1. Tax exemptions – no VAT tax on imported equipment and corporate tax concessions
2. Duty exemption – no import duties need to be paid on new equipment;
3. Priority land rights – priority rights to lease state and communal land plots needed to realise the investment project; and
4. Stabilization of law – the rights and duties of the investor shall be governed by the Ukrainian laws in effect at the date the investment agreement is executed unless a new law improves the investor's position.

Implementation of the new laws relating to tax and import duty exemptions does require amendments to the Tax Code of Ukraine and Customs Code of Ukraine which are currently in draft form and need to be adopted to come into effect.

Of the changes that would impact the development of the Shymanivske project:

- Exemption from the corporate profit tax for all income derived from the project during any 5 consecutive years chosen by the investor after the project has been commissioned
- Exemption from paying value added tax for all new equipment imported for the project
- Exemption from import duty for all new equipment imported for the project
- Local authorities are allowed to reduce the land tax for land plots utilized by the project

The total monetary value of the benefits is capped at 30% of the amount of investment made, but for BKI this could realise savings of up to ~US\$170M through a combination of reduced upfront tax/duty payments to construct the project and initial corporate tax payments.

Permits

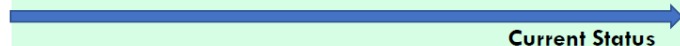
The project has strong support in Ukraine both locally and in government. On 21st June, 2020 President Zelenskyy, who was born and raised in the same city BKI's project is being developed, released a statement promising co-operation with BKI stating *"It will be a very big cooperation. After all, this is more than a billion dollars of investment in Ukraine, it is very important for Canada, for Black Iron, and it is important for us..."*.

The company is awaiting the surface rights from the Kryviy Rih City Council for the land under which the orebody resides, for a parcel of land for the processing plant, waste rock and tailings from Ukraine's Ministry of Defence and execution of an agreement reached with a neighbouring mine on the relocation of their mine service garage.

In November 2019, BKI signed a Memorandum of Understanding with Ukraine's Minister of Defence on land transfer that is currently being finalised in a binding contract. Once complete, the neighbouring mines service garage will be relocated and a land lease with the City Council can be signed.

In 2004 BKI was granted a 20 year mining permit, with option to renew in 2024 for a further 20 years, so once the land agreements are in place, the company can apply for the construction permit and start overburden removal.

Figure 7: Permit Process Summary for Shymanivske

Exploration Permit	Extraction Permit	Mining Allotment	Land Allotment	Construction Approval	Operations Approval
Explore resource potential	Deem deposit economical	Pit shell reserves & environmental impact Gov't approval	Obtain surface rights for mine, refinery & tailings	Start mine overburden removal & plant construction	Operate mine & refinery
Conduct geophysical program	Complete Ukraine version of scoping study including evaluation of various mining methods & high level environmental impact	Complete field environmental (OVOS) & archeological studies for Gov't approval	Land use analysis based on plot plan showing major buildings & agreed connections to utilities, rail and roads (Proekt)	Detailed design approved (Expertisa)	Ensure compliance with Ukraine Safety, Environment, Health and Employment laws as check by regular Gov't inspections
Drill ore body		Submit pit shell design & mapped ground surface project for Gov't approval	Approval of the project location	Obtaining the construction permit	
State approval of explored deposit			Approval from all land owners & finalize lease	Commissioning of the facility	Finalize environmental permits
 Current Status					

Source: Black Iron

Proxy Valuation – Ferrexpo (LSE:FXPO)

In terms of looking at the potential for Black Iron, the most obvious comparison is LSE listed Ferrexpo. Ferrexpo operates 3 iron ore mines and an iron ore pellet facility in Ukraine. It is mining a 50km strike length of mineralisation divided into 9 orebodies. The current Proven and Probable Reserves are 1.7Bt, whilst it has 6.1Bt of Resources.

Founded in 1960, it listed on the London Stock Exchange in 2007, and has a current market capitalisation of £1.88Bn (US\$2.62Bn). In 2020 it produced 11.2Mt (+7% over the pcp) of 65% premium pellets, making it the 3rd largest exporter of pellets (premium product that costs an incremental ~\$15/T over pellet feed to produce) in world. In its latest financial figures (2019), it reported an average production cost of US\$47.8/t vs average sales price of US\$93.3/t. Revenue for 2019 was US\$1.5Bn, EBITDA US\$586m, NPAT US\$403m, paying a 3.3% yield, and is currently trading on a PE ratio of 7.6.

If we apply similar earnings multiples to BKI, based on average life of mine earnings we get a valuation of US\$2.52B. Using peak earnings at the start of Phase 2 production this rises to US\$3.16Bn both using current broker consensus forecast long term price of US\$68.75/t, rather than the current US\$174/t

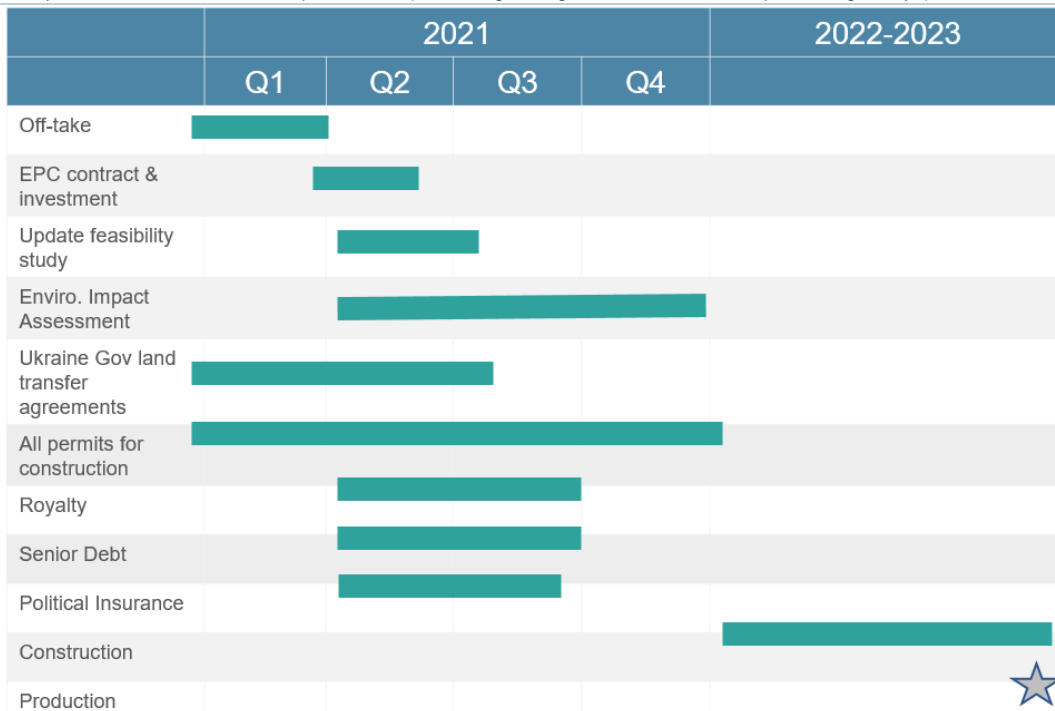
Next Steps

The next 12 months will see a major step-change in activity for the company as it focusses on entering construction with the key milestones as follows:

1. Finalize offtake and equity for construction financing
2. Secure surface rights for mine, plant, tailings and waste rock
3. Complete revised feasibility study
4. Secure debt for construction
5. Start construction

The construction of Phase 1 is expected to take 2 years.

Figure 8: Major Project Milestones for 2021 to production (assuming no significant COVID19 or permitting delays)



Source: Black Iron

Summary

There is no doubt that the conflict between Russia and Ukraine in 2014 set the company back, and this concern remains reflected in the company’s share price. However, this is also a great opportunity for investors to get in on a largely technically derisked asset at compelling valuation. BKI is in a very strong position and capable of entering construction within the next 12 months:

- A large resource base to support a 17-year mine life, which remains open to the north and at depth.
- An ultra-high premium product for a growing more environmentally conscious market, with the lowest costs and highest potential returns of any Fe pellet feedstock project worldwide.
- Excellent existing infrastructure, management and local support to the highest levels and funding agreements, albeit currently non-binding in place.

In terms of valuation metrics, if we look at after tax NPV_{8%} using the current broker consensus long term Fe price of US\$68.75/t or at earnings multiples for existing iron pellet producers in Ukraine, both then heavily discounted by 90% for country, financing and construction risk, we get a valuation range between US\$182-US\$316m. This is a 1.8-3.16 multiple of the company’s current C\$124.82m (US\$99.86m) market capitalisation.

This all leads us to believe that for those comfortable with the Ukraine, Shymanivske is the most exciting iron ore development project available in the world today.

Appendix A - Directors & Management

Board

Bruce Humphrey (Chairman) - Former Chairman of Consolidated Thompson Iron Ore and Chief Operating Officer of Goldcorp

Pierre Pettigrew - Former Canadian Minister for Foreign Affairs and international Trade

John Detmold - Chairman & Founder of Investure Group, S.A. de C.V. which owns Frontera Copper Corporation

Dave Porter - Former VP for Rio Tinto's Iron Ore Company of Canada and COO of Algoma Steel

Matt Simpson (CEO) - Former General Manager, Mining for Rio Tinto's Iron Ore Company of Canada

Management

Les Kwasik (COO) - Over 40 years of hands-on experience building and operating mines globally with companies such as with INCO (VALE) and Xstrata (Glencore)

Paul Bozoki (CFO) - Former CFO of CD Capital Partners, operating in Ukraine

Bill Hart (SVP-Corp Dev) - 30 years selling iron ore while working for Rio Tinto, Cliffs Natural Resources and most recently Roy Hill Holdings Ltd.

Pavlo Komarytsky (GM- Shymanivske Steel) - Extensive network of relationships in Ukraine.

Research Disclosures



Dr Mark Heyhoe

Dr Heyhoe has over 25 years' experience in mining and natural resources. After working initially as a resource geologist in West Africa and then consultant, he spent eight years in the London capital markets focused on mining. More recently before joining Fox-Davies, he has spent the past 5 years as the COO of a Brazilian mining company taking the company from grass roots exploration, through financing, development and into commercial production. Mark has a PhD in geology and geostatistics and is a Fellow of the Geological Society of London.

Contact: mark@fox-davies.com

Investment analyst certification

All research is issued under the regulatory oversight of Fox-Davies Capital. Each Investment Analyst of Fox-Davies Capital whose name appears as the Author of this Investment Research hereby certifies that the recommendations and opinions expressed in the Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all of the Designated Investments or Relevant Issuers discussed herein that are within such Investment Analyst's coverage universe.

Research Disclaimers

Research disclosure as of 26 March 2021

Company Name (the Relevant Issuer)	Disclosure
Black Iron Inc	1, 2

Investment Research Disclosure Legend:

1. In the past 12 months, Fox-Davies Capital Limited or its affiliates have had corporate finance mandates or managed or co-managed an offering of the Relevant Issuer's securities or received compensation for Corporate Finance services from the Relevant Issuer.
2. Fox-Davies Capital Limited expects to receive or intends to seek compensation for Corporate Finance services from this company in the next six months.
3. The Investment Analyst or a member of the Investment Analyst's household has, or expects to receive, a long position in the shares or derivatives of the Relevant Issuer.
4. The Investment Analyst or a member of the Investment Analyst's household has a short position in the shares or derivatives of the Relevant Issuer.
5. As of the month end immediately preceding the date of publication of this report, or the prior month end if publication is within 10 days following a month end, Fox-Davies Capital Limited and / or its affiliates beneficially owned 1% or more of any class of common equity securities of the Relevant Issuer.
6. A senior executive or director of Fox-Davies Capital Limited or a member of his or her household is an officer, director or advisor, board member of the Relevant Issuer and / or one of his subsidiaries.
7. Fox-Davies Capital Limited acts as a corporate broker for the Relevant Issuer.

The Investment Analyst who is responsible for the preparation of this Investment Research is a consultant to Fox-Davies Capital, a securities broker-dealer.

The Investment Analyst who is responsible for the preparation of this Investment Research has received (or will receive) compensation linked to fees generated by Fox-Davies Capital from the Relevant Issuer.

This report has been commissioned by the Relevant Issuer and prepared and issued by Fox-Davies Capital Ltd, in consideration of a fee payable by the Relevant Issuer. Fees are paid upfront in cash without recourse.

Disclaimer - Important Information

This document is not independent and should not be relied on as an impartial or objective assessment of its subject matter. Given the foregoing, this document is deemed to be a marketing communication for the purpose of the European Markets in Financial Instruments Directive (MiFID), the Financial Conduct Authority's Rules and Dubai Financial Services Authority's Conduct of Business Rules and as such has not been prepared in accordance with legal requirements designed to promote the independence of investment research and Fox-Davies Capital is not subject to any prohibition on dealing ahead of dissemination of this document as it would be if it were independent investment research.

This document has been issued by Fox-Davies Capital Limited and Fox-Davies Capital (DIFC) Limited (collectively "Fox-Davies Capital") for information purposes only and should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action. This document is not based upon detailed analysis by Fox-Davies Capital of any market; issuer or security named herein and does not constitute a formal research recommendation, either expressly or otherwise. This document has no regard for the specific investment objectives, financial situation or needs of any specific entity. Fox-Davies Capital and/or connected persons may, from time to time, have positions in, make a market in and/or effect transactions in any investment or related investment mentioned herein and may provide financial services to the issuers of such investments. The information contained herein is based on materials and sources that we believe to be reliable, however, Fox-Davies Capital makes no representation or warranty, either express or implied, in relation to the accuracy, completeness or reliability of the information contained herein. Opinions expressed are our current opinions as of the date appearing on this material only. Any opinions expressed are subject to change without notice and Fox-Davies Capital is under no obligation to update the information contained herein. None of Fox-Davies Capital, its affiliates or employees shall have any liability whatsoever for any indirect or consequential loss or damage arising from any use of this document.

This report has been approved in the UK by Fox-Davies Capital Limited solely for the purposes of section 21 of the Financial Services and Markets Act 2000. In the UK, this report is directed at and is for distribution only to persons who (i) fall within Article 19(1) (persons who have professional experience in matters relating to investments) or Article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (as amended) or (ii) are professional clients or eligible counterparties of Fox-Davies Capital (all such persons together being referred to as "relevant persons"). This report must not be acted on or relied up on by persons in the UK who are not relevant persons. In accordance with the Dubai Financial Services Authority's Conduct of Business Rules, this marketing material is intended only for professional clients and market counterparties, and no other person should act upon it

Neither the information nor the opinions expressed herein constitutes, or is to be construed as, an offer or invitation or other solicitation or recommendation to buy or sell investments.

Neither this report nor any copy of part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of UK or US securities law, or the law of any such other jurisdictions.

Investments in general involve some degree of risk, including the risk of capital loss. The value of investments contained herein may go up or down. Where investment is made in currencies other than the base currency of the investment, movements in exchange rates will have an effect on the value, either favourable or unfavourable. Securities issued in emerging markets are typically subject to greater volatility and risk of loss. The services, securities and investments discussed in this document may not be available to nor suitable for all investors. Investors should make their own investment decisions based upon their own financial objectives and financial resources and, if in any doubt, should seek advice from an investment advisor. Past performance is not necessarily a guide to future performance and an investor may not get back the amount originally invested. Where investment is made in currencies other than the investor's base currency, movements in exchange rates will have an effect on the value, either favourable or unfavourable. Levels and bases for taxation may change. When we comment on AIM or OFEX shares you should be aware that because the rules for those markets are less demanding than the Official List of London Stock Exchange plc, the risks are higher. Furthermore, the marketability of these shares is often restricted.

Fox-Davies Capital and/or its associated companies may from time-to-time provide investment advice or other services to, or solicit such business from, any of the companies referred to in this document. Accordingly, information may be available to Fox-Davies that is not reflected in this material and Fox-Davies Capital may have acted upon or used the information prior to or immediately following its publication. In addition, Fox-Davies Capital, the directors and employees thereof and/or any connected persons may have an interest in the securities, warrants, futures, options, derivatives or other financial instrument of any of the companies referred to in this document and may from time-to-time add or dispose of such interests. Neither the whole nor any part of this material may be duplicated in any form or by any means. Neither should any of this material be redistributed or disclosed to anyone without the prior consent of Fox-Davies Capital. Fox-Davies Capital Limited is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange. Fox-Davies Capital (DIFC) Limited is authorised and regulated by the Dubai Financial Services Authority.

Fox-Davies Capital Limited may distribute research in reliance on rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US Institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Fox-Davies Capital does not accept any responsibility. By accepting this document you agree that you have read the above disclaimer and to be bound by the foregoing limitations/restrictions.

Please note that unless otherwise stated, the share price used in this publication is taken at the close of business for the previous day. This document has been prepared on the basis of economic data, trading patterns, actual market news and events, and is only valid on the date of publication. Fox-Davies Capital does not make any guarantee, representation or warranty, (either expressly or implied), as to the factual accuracy, completeness, or sufficiency of information contained herein. This document has been prepared by the author based upon information sources believed to be reliable and prepared in good faith.

This note is confidential and is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part, for any purpose.

Fox-Davies Capital Ltd

12 Hay Hill, Mayfair
London W1J 6DQ
United Kingdom

Member of the London Stock Exchange.
Authorised and Regulated by the Financial Conduct Authority.
Registered in England and Wales with company number 10165213 and registered address 5 Technology Park, Colindeep Lane, Colindale, London, United Kingdom NW9 6BX

Fox-Davies Capital (DIFC) Ltd.

Level 1, Gate Village Building 3
Dubai International Financial Centre
P.O. Box 507268, Dubai
United Arab Emirates

Authorised and Regulated by the Dubai Financial Services Authority.
Registered in the Dubai International Financial Centre with commercial license number CL2950



Top Rated Iron Ore Pellet Project in World

