

Black Iron Inc. and Metinvest B.V. finalize arrangement to develop ukrainian iron ore assets

DEVELOPMENT ARRANGEMENT AND US\$20 MILLION INVESTMENT POTENTIALLY POSITIONS METINVEST AS AN INFLUENTIAL SHAREHOLDER OF BLACK IRON'S DEVELOPMENT PROJECTS

THE ARRANGEMENT WILL COME INTO FORCE AFTER OBTAINING ALL NECESSARY PERMITS FROM GOVERNMENT AGENCIES INCLUDING ANTIMONOPOLY ADDITIONAL POTENTIAL INVESTMENT BY METINVEST COULD REACH AS MUCH AS US\$536 MILLION

METINVEST IS A VERTICALLY INTEGRATED STEEL AND MINING GROUP OF COMPANIES, WHICH PRODUCED 36.2Mt IRON ORE, 11.6Mt COAL AND 12.5Mt STEEL IN 2012 (UKRAINE'S LARGEST COMPANY)

Metinvest B.V. ("Metinvest" - Ukraine's largest mining and steel producer) announces that the company has executed definitive agreements to form a development arrangement with Black Iron Inc. ("Black Iron" or the "Company") (TSX: BKI; FRANKFURT: BIN) and to invest in Black Iron (Cyprus) Ltd ("BKI Cyprus"), which is currently a wholly-owned subsidiary of Black Iron. The agreements create a defined path for Metinvest to become a prominent shareholder of Black Iron's development projects, the Shymanivske Project and the Zelenivske Project (collectively, the "Projects"), each located in Kryvyi Rih, Ukraine.

Provisions of the agreements between Black Iron and Metinvest require Metinvest to make an initial investment of US\$20 million in BKI Cyprus to help fund the Projects, with potential investment amounts thereafter expected to increase during construction of the Projects to approximately US\$536 million.

Metinvest's investments will be structured as follows:

- Subject to final regulatory approvals, Metinvest will immediately take up an initial private placement of shares in BKI Cyprus, which holds 100% participatory interest in two Ukrainian companies – Shymanivske Steel LLC and Zelenivske Steel LLC, for aggregate gross proceeds of US\$20 million. This investment will give Metinvest a 49% shareholding of BKI Cyprus' share capital. **There is no increase in shares outstanding in Black Iron Inc. as a result of these agreements. Black Iron remains the operator and developer of both Projects.**
- Each of Metinvest and Black Iron will have the option to participate in the funding of the development of the Projects based on its proportionate interest in BKI Cyprus or be diluted down. Using the projected total capital investment requirements as outlined in the Company's Bankable Feasibility Study (filed on SEDAR in December 2012) of US\$1,094 million, and assuming the development capital is 100% equity financed, Metinvest's future capital contribution could increase by up to US\$536 million (being 49% of US\$1,094 million) for the development of the Shymanivske Project. The agreements contain strict dilution provisions designed to create a strong incentive for continued participation in any future equity financings for the Projects.
- In addition to the private placement of BKI Cyprus shares, Metinvest will also be granted a non-transferable option to acquire additional shares in BKI Cyprus to increase their effective ownership to 51% post achieving full run rate production of 9.2 million tonnes per annum concentrate for three consecutive months. The option exercise price will represent a 30% premium over the fair full net asset value as determined by an independent third party, and will expire twelve months after vesting.

Black Iron plans to use all of the proceeds received from the Metinvest subscription in BKI Cyprus shares to finance the development of its Shymanivske Project and for general working capital purposes.

Completion of this transaction is subject to receipt of all necessary regulatory approvals, including the Government of Ukraine's anti-monopoly division.

Metinvest has a proven track record of developing and operating iron ore projects in Ukraine, which will prove invaluable to Black Iron in the advancement of its Projects. It will also serve in helping attract future foreign investment to Ukraine.

Matt Simpson, President and CEO of Black Iron said, "Black Iron selected Metinvest for its industry-leading experience in iron ore mining and steel making, as well as its operational history in Ukraine. This agreement greatly strengthens our development team and I look forward to being closely associated with Metinvest. Together, we will help bring new world class iron ore processing, safety and environmental technologies to

Ukraine.”

Igor Syry, General Director and CEO of Metinvest added, “Metinvest believes that development of Black Iron’s Shymanivske Project will be important for Ukraine and its economy. It will represent a major investment in Ukraine, resulting in increased local employment, the improvement of local infrastructure and environmental level standards in Kryvyi Rih, and become a catalyst for regional and national social and economic development.”

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