

Four Nines Gold Inc.
Management Discussion & Analysis
(Expressed in Canadian Dollars)
For the six months ended July 31, 2020

Overview

The following covers the operations of Four Nines Gold Inc. (the “Company” or “Four Nines”) for the six months ended July 31, 2020 prepared as of September 21, 2020. This management discussion and analysis (“MD&A”) should be read in conjunction with the Company’s condensed interim financial statements for the six months ended July 31, 2020 and related notes and the audited financial statements for the year ended January 31, 2020 and related notes. These documents are available for viewing on SEDAR at www.sedar.com. All dollar amounts therein and in the following MD&A are in Canadian dollars unless otherwise indicated. These financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Forward-Looking Statements

This MD&A contains certain statements that may be deemed “forward-looking statements”. All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward - looking statements. Factors that could cause the actual results to differ materially from those in the forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change beyond the procedures required under applicable securities laws.

Description of Business

The Company is a junior resource company engaged in the acquisition and exploration of properties in Canada. The Company was incorporated on March 19, 2015 under the name “Hornby Acquisition Ltd.” pursuant to the *Business Corporations Act* (British Columbia). On April 20, 2016, the Company changed its name to “Eureka Dome Gold Inc.” and on November 30, 2016 the Company changed its name to “Four Nines Gold Inc.”.

On August 24, 2017, the Company completed an initial public offering (“IPO”) and was listed on the Canadian Securities Exchange (“CSE”). The Company commenced trading on the CSE on August 31, 2017 under the symbol “FNAU”.

The head office, principal address and records office of the Company are located at Suite 1000, 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

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There was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, amongst others, could have a significant impact on the Company's operations and its searching for other resource opportunities.

By a mineral property option agreement dated June 18, 2020 and as amended on July 27, 2020, the Company may acquire up to 100% interest in the Bonneville Property. This property consists of 36 mineral tenures and is located in central Quebec. The project covers an area of approximately 2,018 hectares in the Lac Bachelor gold camp 215 kilometres northeast of Val d'Or, Quebec. The property is located within the Abitibi greenstone belt, five km west of the village of Miquelon. Recent exploration at the Bonneville gold project includes soil sampling, ground geophysics and a single diamond drill hole in 2018, which tested one of the three target zones.

As consideration the Company will pay cash of \$260,000, and incur \$350,000 in exploration expenditures as follows:

- a) Cash payment of \$35,000 upon signing (Paid);
- b) Cash payment of \$75,000 upon regulatory authorities' approval of this agreement which may apply (Paid);
- c) Cash payment of \$75,000 by July 31, 2020 (Paid);
- d) Cash payment of \$25,000 within twelve months of signing of the agreement; and
- e) Incur \$350,000 in exploration expenditures on or before the date that is twenty-four months of the signing of the agreement.

In the event of a shortfall of exploration expenditures, the Company can pay the Optionor in cash or shares of the Company as long as the share issuance does not make the Optionor a holder of more than 19.9% of the shares outstanding at the time of issuance.

Should the Company acquire 100% of the property the Optionor will retain a 1% Net Smelter Returns ("NSR") royalty. The Company shall be entitled to buy back the 1% NSR for \$1,000,000.

Officers and Directors

Jim Mustard, CEO and a Director, is an experienced capital market and mining professional, bringing over 30 years of expertise in business and project development to the Company. Jim was most recently VP of Investment Banking at PI Financial Corp. Prior to that he was the President and a director of Canada Zinc Metals and before that, was the VP and Senior Mining Analyst at Haywood Securities Inc. for 11 years. He has also worked for Barrick Gold, Eldorado Gold, Amax of Canada, Canada Tungsten Mining, the Government of Canada and Cyprus Anvil. Jim is a registered Professional Engineer with the Association of Professional Engineers and Geoscientists of BC. Jim Mustard resigned on May 27, 2019 as CEO but remains as a director.

Geoff Balderson was appointed CFO and a director on December 14, 2018. He is the President of Harmony Corporate Services Ltd., a private business consulting company located in Vancouver, British Columbia. Mr. Balderson has been an officer and director of several TSX Venture Exchange listed companies over the past 12 years. Prior experience includes his roles as an investment advisor at Union Securities and Georgia Pacific Securities Corp.

Charles Ross was appointed CEO and a director on May 27, 2019. Mr. Ross has more than 25 years' experience in the international resource sector, much of it focused on senior project and financial management. He has served as director, president, and chief financial officer of numerous public resource companies and has extensive experience in corporate finance and public company administration.

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Joseph Yelder was appointed a director on December 9, 2019 by the shareholders at the Annual General Meeting.

Selected Annual Information

The following is a summary of the Company's financial results for the Company's three most recently completed financial years:

	Year ended January 31, 2020	Year ended January 31, 2019	Year Ended January 31, 2018
Total revenues	\$Nil	\$Nil	\$Nil
Net and comprehensive loss	(86,564)	(665,355)	(135,738)
Loss per share – basic and diluted	(0.01)	(0.18)	(0.02)
Total assets	724,222	814,832	641,874
Long term liabilities	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil

During the year ended January 31, 2018, the Company completed its IPO. During the year ended January 31, 2019, the Company determined that the exploration and evaluation asset was impaired and consequently recorded an impairment of \$484,397. During the year ended January 31, 2020, the Company completed the reclamation obligation on the Mariposa property.

Fourth Quarter

N/A

Results of Operations

During the three months ended July 31, 2020:

During the three months ended July 31, 2020, the Company has not generated revenue to date and has recorded a net loss of \$46,618 for the three months ended July 31, 2020 as compared \$34,688 for the comparable three months ended July 31, 2019.

Total expenses for the three months ended July 31, 2020 amounted to \$46,618 as compared to \$34,688 for the comparable period an increase of approximately \$12,000. Consulting fees have increased to \$37,323 in the current quarter as compared to \$7,500 for the comparable quarter, that is due to the Company engaging an external consultant for their assistance in the Company's application to trade on the OTC Markets that was offset by no interest charges in this current quarter as compared to \$17,329 for the comparable quarter. All other costs were consistent with that of the comparative period.

During the six months ended July 31, 2020:

During the six months ended July 31, 2020, the Company has not generated revenue to date and has recorded a net loss of \$58,220 for the six months ended July 31, 2020 which is lower than the net loss of \$65,961 for the comparable six months ended July 31, 2019.

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Total expenses for the six months ended July 31, 2020 amounted to \$58,220 as compared to \$65,961 for the comparable period a decrease of approximately \$7,700. Consulting fees have increased to \$40,323 for the six months ended July 31, 2020 as compared to \$18,000 for the six months ended July 31, 2019, that is due to the Company engaging an external consultant for their assistance in the Company's application to trade on the OTC Markets. On February 14, 2020, the Company repaid the convertible debentures of \$375,000 plus interest of \$47,055 accordingly interest and accretion have decreased to \$1,027 for the current period as compared to the \$34,093 for the comparable period. All other costs were consistent with that of the comparative period.

During the six months ended July 31, 2020, the Company entered into a mineral property option agreement to acquire 100% interest in the Bonneville Property. As at July 31, 2020, the Company had made the \$185,000 cash payment and has incurred \$8,054 in exploration expenditures.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters.

For the quarter ended	July 31, 2020	April 30, 2020	January 31, 2020	October 31, 2019
Net and comprehensive loss	(\$46,619)	(\$11,601)	(\$19,889)	(\$714)
Loss per share – basic and diluted	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

For the quarter ended	July 31, 2019	April 30, 2019	January 31, 2019	October 31, 2018
Net and comprehensive loss	(\$34,688)	(\$31,273)	(\$533,899)	(\$77,137)
Loss per share – basic and diluted	(\$0.00)	(\$0.00)	(\$0.08)	(\$0.03)

Factors causing Variance for each Quarter

During the quarter ended October 31, 2018, the Company recorded a net loss of \$77,137 as compared to \$22,831 for the previous quarter. The increase can be attributed to consulting fees and legal fees associated with the financing that occurred during this quarter. During the quarter ended January 31, 2019 the company recorded a net loss of \$533,899 as compared to the net loss of \$77,137 for the previous quarter. The increase in the net loss can be attributed to the recording of the impairment of the mineral property. During the quarter ended April 30, 2019, the Company recorded a net loss of \$31,273 as compared to the net loss of \$533,899 for the previous quarter which included an impairment of mineral property of \$484,397. During the quarter ended July 31, 2019, the Company recorded a net loss of \$34,688 which is comparable to the net loss of \$31,273 for the previous quarter. There were no changes in the operations as the Company continues its search for other resource related opportunities. During the quarter ended October 31, 2019, the Company recorded a net loss of \$714 as compared to the net loss of \$34,688 for the previous quarter. The decrease in the net loss is due to the recording of a recovery of asset retirement obligation of \$30,000. During the quarter ended January 31, 2020, the Company recorded a net loss of \$19,889 as compared to a net loss of \$714 for the previous quarter which included a recovery of asset retirement obligation. During the quarter ended April 30, 2020, the Company recorded a net loss of \$11,601 as compared to \$19,889 for the previous quarter. The decrease can be attributed to the reduction in interest charges on the convertible debt. During the quarter ended July 31, 2020, the Company recorded a net loss of \$46,619 as compared to \$34,688 for the previous

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quarter. The increase can be attributed to the Company engaging an external consultant to assist in its application to trade on the OTC markets in the U.S. markets.

Liquidity and Capital Resources

The Company had cash of \$265,363 and GST receivable of \$3,074 at July 31, 2020, compared to \$723,322 and \$900 at January 31, 2020 respectively. As at July 31, 2020, the Company had accounts payable of \$40,993 as compared to accounts payable of \$82,005 and \$375,000 in convertible debentures at January 31, 2020 and working capital of \$227,443 as compared to a working capital of \$267,217 as at January 31, 2020.

The Company's estimated its budget to be its working capital and believes that the current capital resources are not sufficient to pay overhead expenses for the next twelve months and will need to seek additional funding to fund its overhead expenses and future commitments. The Company will continue to monitor the current economic and financial market conditions and evaluate their impact on the Company's liquidity and future prospects.

Since the Company will not be able to generate cash from its operations in the foreseeable future, the Company will have to rely on the issuance of shares or the exercise of options and warrants to fund ongoing operations and investment. The ability of the Company to raise capital will depend on market conditions and it may not be possible for the Company to issue shares on acceptable terms or at all.

On February 14, 2020, the Company repaid the convertible debentures. The total amount paid was \$422,055, of which \$375,000 was principal and \$47,055 relates to interest.

On March 2, 2020, the Company closed a non-brokered private placement of 2,720,000 units at a price of \$0.075 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.10 per share expiring on March 1, 2025.

On August 21, 2020, the Company completed a private placement of 2,005,000 units at a price of \$0.075 per unit for total proceeds of \$150,375 of which \$7,500 is included in shares subscriptions received at July 31, 2020. Each unit comprise of one common share and one share purchase warrant with each share purchase warrant entitling the holder to purchase one common share at a price of \$0.10 per share for a period of five years from the date of issuance.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements to report.

Related Party Transactions

Related party transactions are comprised of services rendered by directors and/or officers of the Company or by a company with a director in common. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key management personnel compensation

The Company considers its President, Chief Executive Officer, Chief Financial Officer, and the directors of the Company to be key management.

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	Relationship	For the six months ended July 31,	
		2020	2019
<u>Consulting fees</u>			
Harmony Corporate Services Ltd.	Company controlled by Geoff Balderson, Director and CFO	\$ 7,500	\$ 17,500
<u>Exploration expenses</u>			
Jim Mustard	Director and Former CEO	-	1,960
		\$ 7,500	\$ 19,460

Included in accounts payable at July 31, 2020, is \$15,708 (January 31, 2020: \$14,133) owed to a director and a Company controlled by the CFO for reimbursements of expenses or unpaid fees. The amount is unsecured, non-interest bearing with no specific terms of repayment.

Proposed Transactions

The Company has no proposed transactions to report.

Critical Accounting Estimates

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going concern

The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year is a judgment. The factors considered by management are disclosed in Note 2 of the financial statements.

Valuation of Convertible Debt

The Company's convertible loans are valued using the present value of future cash flows. This method is based on underlying factors such as the current interest rate and the Company's ability to make all interest payments on a timely basis. Changes in the inputs to the calculation could impact the carrying value of the convertible debentures and amount of accretion included in profit or loss.

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Financial Instruments and Risks

The company is exposed through its operations to the following financial risks:

- Liquidity risk
- Market risk
- Credit risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in the financial statements.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred, and by disposing of its investments when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company's has no interest-bearing debt. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such as a loss is limited because the convertible debentures bear interest at a fixed rate.

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign currency rate fluctuations.

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Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Credit risk

Financial instruments that potentially expose the Company to credit risk are cash. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts.

Fair Values

The Company's financial instruments include cash, accounts payable and accrued liabilities and convertible debentures. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals.

Fair Value Hierarchy

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Total
July 31, 2020			
Cash	\$ 265,363	\$ -	\$ 265,363
	\$ 265,363	\$ -	\$ 265,363
January 31, 2020			
Cash	\$ 723,322	\$ -	\$ 723,322
Convertible debenture	-	375,000	375,000
	\$ 723,322	\$ 375,000	\$ 1,098,322

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Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

SUBSEQUENT EVENTS

On August 21, 2020, the Company completed a private placement of 2,005,000 units at a price of \$0.075 per unit for total proceeds of \$150,375 of which \$7,500 is included in shares subscriptions received at July 31, 2020. Each unit comprise of one common share and one share purchase warrant with each share purchase warrant entitling the holder to purchase one common share at a price of \$0.10 per share for a period of five years from the date of issuance.

Disclosure of Outstanding Share Capital

The Company's outstanding share capital as at the date of the MD&A is as follows:

Common shares

Balance, July 31, 2020	10,300,900
Balance, MD&A	12,305,900

Options

Balance, July 31, 2020	Nil
Balance, MD&A	Nil

Share purchase warrants

Balance, July 31, 2020	7,670,000
Balance, MD&A	9,675,000