Trilogy Metals Inc.

Management's Discussion & Analysis
For the Second Quarter Ended May 31, 2019

(expressed in US dollars)

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General

This Management's Discussion and Analysis ("MD&A") of Trilogy Metals Inc. ("Trilogy", "Trilogy Metals", "the Company" or "we") is dated July 8, 2019 and provides an analysis of our unaudited interim financial results for the quarter ended May 31, 2019 compared to the quarter ended May 31, 2018.

The following information should be read in conjunction with our May 31, 2019 unaudited interim consolidated financial statements and related notes which were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The MD&A should also be read in conjunction with our audited consolidated financial statements and related notes for the year ended November 30, 2018. A summary of the U.S. GAAP accounting policies is outlined in note 2 of the audited consolidated financial statements. All amounts are in United States dollars unless otherwise stated. References to "Canadian dollars" and "C$" and "CDN$" are to the currency of Canada and references to "U.S. dollars", "$" or "US$" are to the currency of the United States.

Andrew W. West, P.Geo., an employee and Exploration Manager, is a Qualified Person under National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"), and has approved the scientific and technical information in this MD&A.

Trilogy's shares are listed on the Toronto Stock Exchange ("TSX") and the NYSE American Stock Exchange ("NYSE American") under the symbol "TMQ". Additional information related to Trilogy, including our annual report on Form 10-K, is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Description of business

We are a base metals exploration company focused on exploring and developing our mineral holdings in the Ambler mining district located in Alaska, U.S.A. We conduct our operations through a wholly-owned subsidiary, NovaCopper US Inc. which is doing business as Trilogy Metals US ("Trilogy Metals US"). Our Upper Kobuk Mineral Projects, ("UKMP" or "UKMP Projects"), consist of: i) the 100% owned Ambler lands which host the Arctic copper-zinc-lead-gold-silver Project (the "Arctic Project"); and ii) the Bornite lands being explored under a collaborative long-term agreement with NANA Regional Corporation, Inc. ("NANA"), a regional Alaska Native Corporation, which host the Bornite carbonate-hosted copper Project (the "Bornite Project").

Outlook & Project activities

Arctic Project

The $7.0 million engineering and environmental program, which will be funded entirely by Trilogy, has commenced at Arctic with two rigs from Tuuq Drilling LLC currently in operation at the site. Work at the Arctic deposit commenced in late June with a view of completing feasibility level geotechnical and hydrology work. The main goal of this year's work program is to complete engineering and environmental studies to prepare a National Instrument 43-101 compliant feasibility study which results are anticipated to be released in the first half of 2020. Work is also being done to prepare the Arctic Project for permitting, which we expect to commence in 2020. The permitting preparation work being carried out will support Federal, State and Borough permitting requirements.

Bornite Project

Exploration activities commenced at the beginning of June with more than 2,000 meters of drilling completed so far at the Bornite Project with three rigs from Major Drilling America, Inc. currently in operation at site. The main goal of the $9.2 million program will be to drill approximately 8,000 meters within 12 holes and will include both infill and expansion drilling. Drilling is anticipated to continue throughout the summer and results from the first few holes of this program are expected to be release in late summer. South32 Limited ("South32") funded the entire $9.2 million budget in which funds were fully received during the first quarter maintaining the Option Agreement as defined below in good standing.

Regional Exploration

District-wide VTEM and ZTEM helicopter airborne geophysical surveys were completed this spring along the entire 100-kilometer long belt of the favorable stratigraphy hosting known polymetallic volcanogenic-massive sulphide ("VMS") deposits, as well as the areas around the Bornite deposit and the surrounding Cosmos Hills area. The surveys were flown by Geotech Ltd. and the data is currently being re-processed by Resource Potential PTY Ltd. The new VTEM and ZTEM surveys will be integrated into our dataset of historical drilling accumulated over a 40-year period of exploration, all of which has been geo-referenced into an integrated GIS database. This dataset will be analyzed to determine and prioritize targets for drill testing later in the summer after the Arctic environmental and geotechnical drill program has been completed. The Company and South32 have agreed to equally fund the Regional Exploration budget. Funds were received during the first quarter from South32 for their $1.0 million contribution, which is in excess of the original $30 million in option payments.

Property review

Our principal assets, the UKMP Projects, are located in the Ambler mining district in Northwest Alaska. Our UKMP Projects comprise approximately 355,323 acres (143,794 hectares) consisting of the Ambler and Bornite lands.

Arctic Project

The Ambler lands, which host several deposits, including the high-grade copper-zinc-lead-gold-silver Arctic Project, and other mineralized targets within a 100-kilometer-long VMS belt, are owned by NovaCopper US. The Ambler lands are in Northwestern Alaska and consist of 114,500 acres (46,337 hectares) of Federal patented mining claims and State of Alaska mining claims, within which VMS mineralization has been found.

We have recorded the Ambler lands as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies.

Bornite Project

On October 19, 2011, Trilogy Metals US and NANA signed a collaborative agreement to explore and develop the Ambler mining district. Under the Exploration Agreement and Option to Lease (the "NANA Agreement"), we acquired, in exchange for, among other things, a $4.0 million cash payment to NANA, the exclusive right to explore the Bornite property and lands deeded to NANA through the Alaska Native Claims Settlement Act ("ANCSA"), located adjacent to the Arctic Project, and the non-exclusive right to access and entry onto NANA's lands. The agreement establishes a framework for any future development of either the Bornite Project or the Arctic Project. Both projects are included as part of a larger area of interest set forth in the NANA Agreement. The agreement with NANA created a total land package incorporating our Ambler lands with the adjacent Bornite and ANCSA lands with a total area of approximately 355,323 acres (143,794 hectares).

Upon the decision to proceed with development of a mine within the area of interest, NANA maintains the right to purchase an ownership interest in the mine equal to a range between 16%-25% or retain a 15% net proceeds royalty which is payable after we have recovered certain historical costs, including capital and cost of capital. Should NANA elect to purchase an ownership interest in the mine, consideration will be payable based on the elected percentage purchased and all the costs incurred on the properties less $40.0 million, not to be less than zero. The parties would form a joint venture and be responsible for all future costs incurred in connection with the mine, including capital costs of the mine, based on each party's pro-rata share.

NANA would also be granted a net smelter return royalty between 1% and 2.5% upon the execution of a mining lease or a surface use agreement, the amount of which is determined by the particular area of land from which production originates.

We have accounted for the Bornite property as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies.

South32 Option Agreement

On April 10, 2017, Trilogy and Trilogy Metals US entered into an Option Agreement to form a Joint Venture with South32 Group Operations Pty Ltd., a wholly-owned subsidiary of South32 Limited, which agreement was later assigned by South32 Operations to its affiliate, South32 USA Exploration Inc. on the UKMP ("Option Agreement"). Under the terms of the Option Agreement, as amended, Trilogy Metals US granted South32 the right to form a 50/50 joint venture to hold all of Trilogy Metals US' Alaskan assets. Upon exercise of the option, Trilogy Metals US will transfer its Alaskan assets, including the UKMP, and South32 will contribute a minimum of $150 million, to a newly formed and jointly held, limited liability company ("LLC").

To maintain the option in good standing, South32 is required to fund a minimum of $10 million per year for up to a three-year period, which funds will be used to execute a mutually agreed upon program at the UKMP. The funds provided by South32 may only be expended in accordance with an approved program by a technical committee with equal representation from Trilogy and South32. South32 may exercise its option at any time over the three-year period to enter into the 50/50 joint venture. To subscribe for 50% of the JV, South32 must contribute a minimum of $150 million, plus (i) any amounts Trilogy spends on matched parallel funding to a maximum of $16 million over the three year period and (ii) $5 million if the option is exercised between April 1, 2018 and March 31, 2019 or $10 million if the option is exercised between April 1, 2019 and the expiration date of the option, less the amount of the initial funding contributed by South32 (the "Subscription Price"). South32 has now funded the full three-year option period. South32 has until the end of January 2020 to exercise the option to form the JV LLC and make the subscription payment.

Option Funding Phase

Provided that all the exploration data and information has been made available to South32 by no later than December 31 of each year, South32 must decide by the end of January of the following year whether; (i) to fund a further tranche of a minimum of $10 million, or (ii) to withdraw and not provide any further annual funding. In years 1 and 2, if the election to fund a further tranche is not made in January, South32 has until the end of March to exercise the option to form the LLC and make the subscription payment. If South32 elects to exercise the option, the Subscription Price shall be paid in one tranche within 45 business days. Should South32 not make its annual minimum payment or elect to withdraw, the option will lapse and South32 will have no claim to ownership or the funds it had already spent. The option payment for the first year was paid by South32 in April 2017 and expended on the Year 1 exploration program at the Bornite Project. Early in December 2017, South32 committed to fund the $10 million 2018 program for the Bornite Project. The funds, which represent the second tranche, maintain the Option Agreement in good standing, and were fully received on January 24, 2018. An additional $0.80 million was received during the year ended November 30, 2018 from South32 as an advance on the year three funding.

On January 31, 2019, we announced the 2019 program and budgets with South32 committing to fund the $9.2 million budget for the Bornite Project. The funds, which represent the third and final tranche, maintain the Option Agreement in good standing, and were fully received during the quarter ended February 28, 2019.

Subscription Funding Phase

At any time during the option funding phase of the agreement, South32 may elect to subscribe for a 50% interest in a newly formed LLC which will take transfer of, and hold, Trilogy Metals US' Alaskan Assets. As part of the Subscription Price, South32 will match any spending expended by us at the Arctic Project over 3 years (2017, 2018 and 2019), to a cumulative maximum of $16 million. Depending on when the option is exercised, certain amounts of the Initial Funding will be deducted from the Subscription Price.

Trilogy currently estimates that the Subscription Price would fund the UKMP through feasibility and the permitting of the first mine to be developed in the Ambler mining district. Once the full amount of the subscription payment of approximately $150 million is expended, the parties will contribute funding pro rata, as contemplated by the operating agreement which will govern the LLC (the "LLC Agreement"). The LLC Agreement anticipates a General Manager, Chief Financial Officer and Chief Operating and Technical Officer to be appointed by the LLC's Board, which will have equal representation from Trilogy and South32.

As the initial option payments are credited against the future subscription price upon exercise, we have accounted for the payment received as deferred consideration. At such time as the option is exercised, the initial payments received to that date will be recognized as part of the consideration received for our contribution of the Alaska assets, including the UKMP, into the joint venture. If South 32 withdraws from the Option Agreement, the consideration will be recognized in the statement of loss at that time.

Summary of results

in thousands of dollars, except for per share amounts

	Three months ended		Six months ended	
Selected expenses	**May 31, 2019** $	**May 31, 2018** $	**May 31, 2019** $	**May 31, 2018** $
General and administrative	436	454	928	799
Mineral properties expense	2,906	2,475	4,441	3,606
Professional fees	153	114	244	273
Salaries	282	223	563	452
Salaries – stock-based compensation	664	151	2,603	1,073
Investor relations	175	138	292	202
Loss and comprehensive loss for the period	4,509	3,664	8,845	6,610
Basic and diluted loss per common share	$0.04	$0.03	$0.07	$0.06

For the three month period ended May 31, 2019, Trilogy reported a net loss of $4.5 million (or $0.04 basic and diluted loss per common share) which was higher than the net loss of $3.7 million for the comparative period in 2018 (or $0.03 basic and diluted loss per common share).

The differences in relation to the comparative three month period ended May 31, 2018 are primarily due to: i) an increase of $0.4 million in mineral properties expense mostly consisting of engineering work related to the scoping study for Bornite and Arctic projects, environmental work related to meteorological and air quality study for the Arctic project during the second quarter of 2019, personnel costs and project support costs including camp facilities repair and maintenance, fixed wing costs and set-up costs incurred for the new office and warehouse in Fairbanks; and ii) an increase of $0.5 million in stock-based compensation due to a higher share price contributing to a higher fair value vesting for stock options, RSUs and DSUs granted during the six month period ended May 31, 2019.

Other differences noted for the comparable periods were: i) an increase in salaries as the current period includes compensation for a new hire during the third quarter of 2018 for which there is no comparative for the second quarter of 2018; ii) an increase in professional fees due to an increase in accounting and audit fees; iii) an increase in investor relations expenses due to the Company's increased level of marketing activity including attendance at more investor conferences and meetings in the current period; and iv) a slight decrease in general and administrative expenses in the current period.

The comparative period also included a $0.1 million loss on held for trading investments resulting from the disposition of 725,000 common shares of Gold Mining Inc. ("GMI") for which there are no comparative figures for the three month period ended May 31, 2019 as the remaining investment in GMI was fully disposed during fiscal 2018.

For the six month period ended May 31, 2019, Trilogy reported a net loss of $8.8 million (or $0.07 basic and diluted loss per common share) compared to a net loss of $6.6 million for the corresponding period in 2018 (or $0.06 basic and diluted loss per common share).

The differences in relation to the comparative six month period ended May 31, 2018 are primarily due to: i) an increase of $0.8 million in mineral properties expense mostly consisting of Geophysics work including core scan work for the Arctic project, aerial electromagnetic survey for Bornite and the region, engineering work related to additional metallurgical and scoping studies, environmental work related to meteorological and air quality study, personnel costs and project support costs including camp facilities repair and maintenance, and fixed wing costs and set-up costs incurred for the new office and warehouse in Fairbanks; ii) an increase of $1.5 million in stock-based compensation due to a higher share price contributing to a greater fair value amortization of stock options, RSUs and DSUs granted during the six month period ended May 31, 2019; iii) an increase of $0.1 million in general and administration costs; iv) an increase of $0.9 million in investor relations expenses due to the Company's increased level of marketing activity including attendance at more investor conferences and meetings during the six month period ended May 31, 2019 and v) an increase of $0.1 million in salaries due to a new hire during the third quarter of 2018 for which there is no comparative for the six month period ended May 31, 2018.

During the six month period ended May 31, 2018, the Company recorded a loss on held for trading investments of $0.3 million upon disposition of 2,085,000 common shares of GMI for which there are no comparative figures for the six month period ended May 31, 2019 as the remaining investment in GMI was fully disposed during fiscal 2018.

Selected financial data

Quarterly information

in thousands of dollars, except per share amounts

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
	05/31/19	02/28/19	11/30/18	08/31/18	05/31/18	02/28/17	11/30/17	08/31/17
	$	$	$	$	$	$	$	$
Interest and other income	**150**	**122**	**117**	**135**	**77**	**17**	**13**	**23**
Mineral property expenses	**2,906**	**1,535**	**3,833**	**9,051**	**2,475**	**1,131**	**4,693**	**8,471**
Earnings (loss) for the period	**(4,509)**	**(4,336)**	**(5,319)**	**(9,920)**	**(3,664)**	**(2,946)**	**(6,726)**	**(8,992)**
Earnings (loss) per common share – basic and diluted	**(0.04)**	**(0.03)**	**(0.04)**	**(0.08)**	**(0.03)**	**(0.03)**	**(0.06)**	**(0.09)**

Factors that can cause fluctuations in our quarterly results include the length of the exploration field season at the properties, the type of program conducted, stock option vesting, and issuance of shares. Other factors that have caused fluctuations in the quarterly results that would not be expected to re-occur include the acquisition and disposition of GMI shares and financing activities.

During the quarter ended May 31, 2019, mineral property expense increased by $1.4 million when compared to the prior quarter as the Company prepared for the commencement of the 2019 drill program and field season. Our loss of $4.5 million for the quarter ended May 31, 2019 is consistent with the prior quarter as the increase in the second quarter mineral property expenses were offset by higher first quarter stock-based compensation due to the fair value amortization of new option grants during the first quarter. The current period loss is $0.9 million higher when compared to the loss for the second quarter ended May 31, 2018 of $3.7 million due mostly to an increase in mineral properties expense and stock-based compensation.

Our loss for the first quarter ended February 28, 2019 of $4.3 million was lower when compared to the two prior quarterly periods and reflects the seasonality of the mineral property expenses which are mostly incurred during the summer and fall season.

During the fourth quarter of 2018, we had a loss of $5.3 million compared to a loss of $6.7 million in the fourth quarter of 2017. The primary drivers for the difference were $0.9 million lower mineral properties expenses, loss on disposition of investments of $0.8 million in the fourth quarter of 2017 for which the comparative is nil in the fourth quarter 2018, all offset by $0.5 million in increased salaries benefits in the fourth quarter 2018. We incurred $3.8 million of mineral property expenses in the fourth quarter of 2018 compared to $4.7 million of mineral property expenses in the fourth quarter of 2017 as the camp closed earlier in the 2018 program (October 13, 2018) versus the 2017 program (October 31, 2017).

Similarly, our loss for the third quarter ended August 31, 2018 of $9.9 million is slightly higher than the comparable loss of $9.0 million in the third quarter ended August 31, 2017 due to the size of the 2018 field program which added an additional $0.6 million in mineral property expenses. The remaining $0.3 million difference is mostly due to increased general and administrative expenses, salaries and stock-based compensation.

Liquidity and capital resources

At May 31, 2019, we had $25.8 million in cash and cash equivalents and working capital of $26.0 million. The increase in cash was a result of fully receiving the $9.2 million Year 3 funding from South32 as well as an additional $1.0 million for the regional exploration program. The increase in working capital for the period was a result of higher accounts receivable and prepaids balances as well as a lower accounts payable balance as at May 31, 2019. Subsequent to the end of the second quarter, the Company received additional proceeds of approximately $9.9 million as a result of an exercise of 6,521,740 warrants.

We expended $7.4 million on operating activities during the six months ended May 31, 2019 compared with $6.6 million for operating activities for the same period in 2018. Most cash spent on operating activities during all periods was expended on mineral property expenses, general and administrative, salaries and professional fees.

The Company continues to fund its cash expenditures through its working capital. As the Company is not currently in production, the Company will need to raise additional funds to support its operations and administration expenses in the future. Future sources of liquidity may include debt financing, equity financing, convertible debt, exercise of options, or other means. The continued operations of the Company are dependent on its ability to obtain additional financing or to generate future cash flows.

All cash generated from investing activities during the six months ended May 31, 2019 were from the South 32 Option Agreement funding of $10.2 million (2018 - $9.6 million) and there were no proceeds from the sale of investments (2018 - $2.1 million) as all GMI shares were full disposed during fiscal 2018. During the six months ended May 31, 2019, no cash was generated from financing activities (2018 - $26.9 million).

Contractual obligations

Contractual obligated undiscounted cash flow requirements as at May 31, 2019 are as follows.

In thousands of dollars

	Total $	< 1 Year $	1–2 Years $	2–5 Years $	Thereafter $
Accounts payable and accrued liabilities	1,481	1,481	-	-	-
Office lease	963	174	375	414	-
Office and warehouse lease	139	57	82	-	-
	2,583	**1,712**	**457**	**414**	**-**

Off-balance sheet arrangements

We have no material off-balance sheet arrangements. The Company has lease commitments for office and warehouse spaces with a remaining total commitment of $1.1 million.

Outstanding share data

At July 8, 2019, we had 138,905,097 common shares issued and outstanding. At July 8, 2019, we had outstanding 11,042,502 stock options with a weighted-average exercise price of $0.98. We also had, 1,286,595 deferred share units ("DSUs"), 11,927 NovaGold deferred share units entitling the holder to receive one common share for every six NovaGold shares received, and 212,501 RSUs. Upon exercise of all the foregoing convertible securities, the Company would be required to issue aggregate of 12,543,586 common shares.

Financial instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. The fair value of the financial instruments approximates their carrying value due to the short-term nature of their maturity. Our financial instruments initially measured at fair value and then held at amortized cost include cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities.

(a) Currency risk

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. The Company operates in the United States and Canada. The Company's exposure to currency risk at May 31, 2019 is limited to Canadian dollar amounts consisting of cash of CDN$244,000, accounts receivable of CDN$26,000 and accounts payable of CDN$442,000. Based on a 10% change in the US-Canadian exchange rate, assuming all other variables remain constant, the Company's net loss would change by approximately $13,000.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company holds cash and cash equivalents with Canadian Chartered financial institutions. The Company's accounts receivable consists of Canadian Goods and Services Tax receivable from the Federal Government of Canada and other receivables for recoverable expenses. The Company's exposure to credit risk is equal to the balance of cash and cash equivalents and accounts receivable as recorded in the financial statements.

(c) Liquidity risk

Liquidity risk is the risk that we will encounter difficulties raising funds to meet our financial obligations as they fall due. We are in the exploration stage and do not have cash inflows from operations; therefore, we manage liquidity risk through the management of the capital structure and financial leverage. Future financing may be obtained through debt financing, equity financing, sales of investments, convertible debt, exercise of options, or other means. Continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. Our contractually obligated cash flow is disclosed under the section titled "Contractual Obligations."

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk with respect to interest earned on cash and cash equivalents. Based on balances as at May 31, 2019, a 1% change in interest rates would result in a change in net loss of $0.3 million, assuming all other variables remain constant.

As we are currently in the exploration phase none of our financial instruments are exposed to commodity price risk; however, our ability to obtain long-term financing and its economic viability could be affected by commodity price volatility.

New accounting pronouncements

Certain recent accounting pronouncements have been included under note 2 in our May 31, 2019 unaudited interim consolidated financial statements

Critical accounting estimates

The most critical accounting estimates upon which our financial status depends are those requiring estimates of the recoverability of our capitalized mineral properties, impairment of long-lived assets, income taxes and valuation of stock-based compensation.

Mineral properties and development costs

All direct costs related to the acquisition of mineral property interests are capitalized. The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify the title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its mining assets is properly recorded, there can be no assurance that such title will be secured indefinitely.

Impairment of long-lived assets

Management assesses the possibility of impairment in the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Significant judgments are made in assessing the possibility of impairment. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, indications of value from external sources, significant changes in the legal, business or regulatory environment, and adverse changes in the use of physical condition of the asset. These factors are subjective and require consideration at each period end. If an indicator of impairment is determined to exist, management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange rates, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset.

Income taxes

We must make estimates and judgments in determining the provision for income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits including interest and penalties. We are subject to income tax law in the United States and Canada. The evaluation of tax liabilities involving uncertainties in the application of complex tax regulation is based on factors such as changes in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues. The evaluation of an uncertain tax position requires significant judgment, and a change in such recognition would result in an additional charge to the income tax expense and liability.

Stock-based compensation

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected life, expected forfeiture rate, expected dividend yield and the risk-free interest rate over the expected life of the option. The use of the Black-Scholes option pricing model requires input estimation of the expected life of the option, volatility, and forfeiture rate which can have a significant impact on the valuation model, and resulting expense recorded.

South32 Option Agreement

The option to form the JV LLC is recognized as a financial instrument at inception of the arrangement with an initial fair value of $nil. This option is required to be re-measured at fair value at each reporting date with any changes in fair value recorded in loss for the period.

Disclosure controls and procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted by the Company under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, including providing reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to permit timely decisions regarding public disclosure. Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15€ and 15d-15(e) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules of Canadian Securities Administration, as of May 31, 2019. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act and National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim filings. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Changes in internal control over financial reporting

There have been no changes in our internal controls over financial reporting during the six-month period ended May 31, 2019, which have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We continue to evaluate our internal control over financial reporting on an ongoing basis to identify improvements.

Risk factors

Trilogy and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of exploration of its mineral properties. Certain of these risks and uncertainties are under the heading "Risk Factors" under Trilogy's Form 10-K dated February 8, 2019 which is available on SEDAR at www.sedar.com, EDGAR at www.sec.gov and on our website at www.trilogymetals.com.

Additional information

Additional information regarding the Company, including our annual report on Form 10-K, is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov and on our website at www.trilogymetals.com. Information contained on our website is not incorporated by reference.

Cautionary notes

Forward-looking statements

This Management's Discussion and Analysis contains "forward-looking information" and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable securities laws. These forward-looking statements may include statements regarding perceived merit of properties, the timing and filing of updated technical reports, the timing of permitting, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, statements regarding the Company's plans and expectations relating to its Upper Kobuk Mineral Projects, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- *assumptions made in the interpretation of drill results, and of the geology, grade and continuity of the Company's mineral deposits;*
- *our ability to achieve production at any of the Company's mineral exploration and development properties;*
- *our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- *assumptions that all necessary permits and governmental approvals will be obtained;*
- *estimated capital costs, operating costs, production and economic returns;*
- *estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource and reserve estimates;*
- *continued good relationships with local communities and other stakeholders;*

- *our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties;*
- *assumptions regarding the merit of litigation; and*
- *that our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.*

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- *risks related to inability to define proven and probable reserves;*
- *risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- *none of the Company's mineral properties are in production or are under development;*
- *uncertainty as to whether South32 will exercise its option under the Option Agreement;*
- *uncertainties relating to the assumptions underlying our resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*
- *risks related to lack of infrastructure including but not limited to the risk whether or not the Ambler Mining District Industrial Access Project ("AMDIAP") will receive the requisite permits and, if it does, whether Alaska Industrial Development Export Authority will build the AMDIAP;*
- *uncertainty as to whether there will ever be production at the Company's mineral exploration and development properties;*
- *uncertainty as to estimates of capital costs, operating costs, production and economic returns;*
- *risks related to our ability to commence production and generate material revenues or obtain adequate financing for our planned exploration and development activities;*
- *risks related to future sales or issuances of equity securities decreasing the value of existing Trilogy common shares, diluting voting power and reducing future earnings per share;*
- *risks related to market events and general economic conditions;*
- *uncertainty related to inferred mineral resources;*
- *uncertainty related to the economic projections derived from the Pre-Feasibility Study titled "Arctic Project, Northwest Alaska, USA, NI 43-101 technical report on Pre-Feasibility Study" dated effective February 20, 2018;*
- *risks related to inclement weather which may delay or hinder exploration activities at its mineral properties;*
- *risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;*
- *mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production;*
- *the risk that permits and governmental approvals necessary to develop and operate mines at our mineral properties will not be available on a timely basis or at all;*
- *commodity price fluctuations;*
- *risks related to governmental regulation and permits, including environmental regulation, including the risk that more stringent requirements or standards may be adopted or applied due to circumstances unrelated to the Company and outside of its control;*
- *risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;*
- *uncertainty related to title to our mineral properties;*
- *our history of losses and expectation of future losses;*
- *risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;*
- *our need to attract and retain qualified management and technical personnel;*
- *risks related to conflicts of interests of some of our directors and officers;*
- *risks related to potential future litigation;*
- *risks related to the voting power of our major shareholders and the impact that a sale by such shareholders may have on our share price;*
- *risks related to global climate change;*
- *risks related to adverse publicity from non-governmental organizations;*
- *uncertainty as to the volatility in the price of the Company's shares;*
- *the Company's expectation of not paying cash dividends;*

- *adverse federal income tax consequences for U.S. shareholders should the Company be a passive foreign investment company;*
- *uncertainty as to our ability to maintain the adequacy of internal control over financial reporting as per the requirements of Section 404 of the Sarbanes-Oxley Act; and*
- *increased regulatory compliance costs, associated with rules and regulations promulgated by the United States Securities and Exchange Commission (the "SEC"), Canadian Securities Administrators, the NYSE American, the TSX, and the Financial Accounting Standards Boards, and more specifically, our efforts to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act and the newly adopted SEC mining disclosure rules.*

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in Trilogy's Form 10-K dated February 11, 2019, filed with the Canadian securities regulatory authorities and the SEC, and other information released by Trilogy and filed with the appropriate regulatory agencies.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Cautionary note to United States investors
Reserve and resource estimates

This Management's Discussion and Analysis has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all resource and reserve estimates included in this Management's Discussion and Analysis have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards on Mineral Resources and Mineral Reserves. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and resource and reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.