Trilogy Metals Inc.

Management's Discussion & Analysis
For the Fourth Quarter and Year Ended November 30, 2018
(expressed in US dollars)

Table of Contents

Trilogy Metals Inc.
Management's Discussion and Analysis
(expressed in US dollars)

General

This Management's Discussion and Analysis ("MD&A") of Trilogy Metals Inc. ("Trilogy", "the Company", "us" or "we") is dated February 8, 2019 and provides an analysis of our audited financial results for the year ended November 30, 2018 compared to the years ended November 30, 2017 and November 30, 2016.

The following information should be read in conjunction with our November 30, 2018 audited consolidated financial statements and related notes which were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). A summary of the U.S. GAAP accounting policies are 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 West, Certified Professional Geologist, an employee and Exploration Manager for Trilogy, 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 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").

Property review

Our principal assets, the UKMP Projects, are located in the Ambler mining district in Northwest Alaska. Our UKMP Projects comprise approximately 355,400 acres (143,825 hectares) consisting of the Ambler and Bornite lands.

Arctic Project

The Ambler lands, which host a number of deposits, including the high-grade copper-zinc-lead-gold-silver Arctic Project, and other mineralized occurrences within a 100 kilometer long volcanogenic massive sulfide ("VMS") belt, are owned by Trilogy Metals US. The Ambler lands are located 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 355,400 acres (143,825 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 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.

Corporate developments

Board Appointment

In December 2017, we announced the appointment of Mr. William Iggiagruk Hensley to the Company's Board of Directors. Mr. Hensley is an Alaska native leader who significantly contributed to the settlement of Alaska's Native claims with the United States federal government in 1971. He was elected to the Alaskan House of Representatives, served four full terms as an Alaskan Senator and two further terms through an appointment by Governor Steve Cowper. Mr. Hensley was a founder of NANA, served for 20 years as a director, became the head of NANA Development Corporation and finally President of NANA. He was a founder of the Alaska Federation of Natives and served as director, executive director, president and co-chair.

Financing

On April 16, 2018, the Company entered into an underwriting agreement with a syndicate of underwriters (the "Underwriters") led by Cantor Fitzgerald Canada Corporation, acting as sole lead underwriter and book-running manager, and including Cormark Securities Inc., BMO Capital Markets and Roth Capital Partners, LLC, under which the Underwriters agreed to buy, on a bought deal underwritten basis, 21,551,724 common shares of the Company at a price of $1.16 per common share for aggregate gross proceeds of approximately $25 million (the "Offering"). On April 20, 2018, we announced the closing of the Offering of 24,784,482 common shares, including the exercise in full by the Underwriters of the over-allotment option, at a price of $1.16 per common share for aggregate gross proceeds of approximately $28.7 million.

Certain large shareholders participated in the Offering with South32 purchasing approximately 40% or $11.5 million, Electrum Strategic Opportunities Fund L.P. taking approximately 20% or $5.8 million, The Baupost Group LLC taking approximately 10% or $2.8 million, and Selz Capital LLC taking approximately 4% or $1.2 million of the common shares. South32's involvement in this financing represented the maximum allocation of their rights to participate, to a minimum of 20% to a maximum of 40%, in future financings, private or public, subject to a maximum aggregate ownership of 19.9% in the Company.

The Company intends to use the net proceeds from the Offering for an anticipated period of three years (i) to finance advancing the Arctic Project towards feasibility and permitting, (ii) for exploration in the Ambler mining district, and (iii) for general corporate purposes.

Annual General Meeting

The Annual General Meeting of shareholders was held on May 15, 2018. In a press release dated May 15, 2018, we were pleased to report all directors nominated by the Company and standing for election were resoundingly elected by shareholders of the Company.

Additions to the Senior Management Team

On May 31, 2018, we announced the additions of Patrick ("Pat") Donnelly as Vice President, Corporate Communications and Development and Robert ("Bob") Jacko as Senior Director, Operations to the Company's senior management team.

Project activities

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. ("South32") 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 will contribute a minimum of $150 million, plus any amounts Trilogy Metals US spends at the Arctic Project or on regional exploration over the three-year option period, to a maximum of $16 million over the three-year period (the "Subscription Price"), less an amount of the initial funding contributed by South32.

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. 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 less certain deductions for initial funding 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, maintains the Option Agreement in good standing, and will be received on or before February 12, 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 or on regional exploration 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 estimates that the Subscription Price will 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.

Bornite Project

In partnership with South32 we completed a 2018 exploration program directed by the joint Trilogy-South32 Technical Committee at the Bornite Project with a total budget of $10.8 million, fully funded by South32. The focus of this year's program was to follow-up on the 2017 wide step-out exploration program.

This year's program comprised of 12 drill holes totaling approximately 10,123 meters (33,212 feet) of exploration drilling through a combination of infill and expansion drill holes in and around the known deposit. The original drilling campaign was budgeted to be 8,000 meters utilizing 3 drill rigs at a cost of $10.0 million and was subsequently expanded to 10,000 meters with the addition of 2 more drill rigs for a revised budget of $10.8 million. The 2018 program followed up on drilling completed during the 2017 exploration program, which was one of the larger programs in the history of drilling at the Bornite Project. The objective of the 2018 drill campaign was to infill and expand the currently defined open pit and underground mineral resources. In addition, we completed a cobalt resource estimate at Bornite released on June 5, 2018.

On August 23, 2018, the Company announced initial assay results from the first drill holes, RC18-0247, from the Bornite Project and subsequently, on October 9, 2018, the Company announced assay results for three additional drill holes (RC18-0243, RC18-0244, RC18-0246 as well as additional results for RC18-0247). Assay results from three additional drill holes (RC18-0248, RC18-0249 and RC18-0250) were released on November 19, 2018 and assay results from the remaining five drill holes (RC18-0251, RC18-0252, RC18-0254, RC18-0255 and RC18-0256) were released on December 13, 2018. Hole RC18-0253 was abandoned before reaching its target depth and re-collared as RC18-0254. A total of 12 holes were drilled at the Bornite Project during the 2018 summer exploration program.

Our actual costs were slightly over the revised budget of $10.8 million due to unexpected repair and maintenance costs at our remote camp site. In fiscal 2018, we expended $10.9 million on the Bornite Project, consisting of $4.2 million in drilling and geochemistry, $2.9 million in project support expenses, $2.6 million in wages and benefits, $0.1 million in engineering studies, $1.0 million in geophysical programs, and $0.1 million in environmental studies.

Early in December 2017, South32 committed to fund the 2018 program and budget of $10.0 million focused at the Bornite Project. The funds, which represent the second tranche of $10 million under the Option Agreement required to maintain the agreement in good standing, were fully received in January 2018. On August 23, 2018, we announced that South32 agreed to increase its contribution to the 2018 Bornite drill program by funding an additional $800,000, of which the additional funds would reduce South32's minimum funding for the 2019 minimum exploration budget commitment of $10 million to $9.2 million. On January 31, 2019, we announced our 2019 program and budgets totaling $16.2 million of which South32 will fund $9.2 million for an exploration program at the Bornite Project.

Arctic Project

The year's program comprised of approximately 593 meters of geotechnical and hydrological drilling completed during the 2018 summer field season. The geotechnical program consisted of 24 large diameter drill holes and 40 excavated test pits and was completed to provide additional geotechnical and hydrologic information for the waste rock dump, tailings management facility, and surface infrastructure in the area. In addition, studies on the Arctic road alignment (from the Arctic mine site to Dahl Creek), acid rock drainage and metal leaching potential, ore sorting capabilities and metallurgical studies at Arctic were started during 2018. We, also, continued the collection of baseline environmental data on hydrology, meteorology and archeology.

Our actual costs were below our budget of $6.7 million due to a delay in certain engineering studies, now expected to be completed in 2019. In fiscal 2018, we expended $5.6 million on the Arctic Project, consisting of $1.0 million in engineering expenses, $0.6 million in drilling, geochemistry and geophysical programs, $1.4 million in project support expenses, $0.7 million in wages and benefits, $0.6 million in land maintenance and permit expenses, $0.5 million in community engagement and $0.8 million in environmental studies.

Outlook

The Company has approved budgets for the fiscal year ending November 30, 2019 totaling $18.2 million for its project activities at the UKMP. $9.2 million (to be funded by South32) is approved for the Bornite Project focused on additional exploration drilling for a combination of infill and expansion drilling of the known deposit, $7.0 million is approved for the Arctic Project focused on feasibility level engineering and environmental work towards the completion of a feasibility study in the first half of 2020, and $2.0 million (to be funded 50/50 as between the Company and South32) is approved for regional or district exploration focused on identifying new drill targets.

At the Bornite Project, we anticipate drilling approximately 7,900 metres in approximately 12 drill holes with the objective to infill and extend the underground resource. Drilling will be completed with 3 drill rigs during the summer of 2019. At the Arctic Project, we anticipate the need for further geotechnical drilling inside the open pit for feasibility level engineering studies on water management, tailings storage and waste containment analysis and design. Work will be focused on completing a feasibility study which is anticipated in the first half of 2020. Environmental baseline studies will continue at both Bornite and Arctic while specific environmental studies will be completed at Arctic for feasibility and permitting of the mine.

Trilogy and South32 have agreed to fund 50/50 a $2 million regional or district exploration program and budget. We anticipate completing an aerial EM geophysics survey in the spring of 2019 over the Company's 100 Km volcanogenic massive sulphide belt and with that information, prepare for exploration drilling of certain targets.

South32 will fund $9.2 million for the Bornite budget on or before February 12, 2019. The funds received by South32 represent their funding of the third and final year of the Option Agreement and keeps the agreement in good standing. South32 can exercise its option under the agreement to form the 50/50 joint venture at any time but must do so before January 31, 2020. The Company will fund 100% of the Arctic budget.

The Company has also approved a $4.8 million budget for fiscal 2019 for general and administrative activities, professional fees, salaries, public company costs and investor relations.

Summary of results

in thousands of dollars, except for per share amounts

Selected expenses	Year ended November 30, 2018 $	Year ended November 30, 2017 $	Year ended November 30, 2016 $
General and administrative	1,532	1,385	1,337
Mineral properties expense	16,490	15,100	5,037
Professional fees	453	708	442
Salaries	1,467	975	1,003
Salaries – stock-based compensation	1,441	705	615
Loss (gain) on held for trading investments	272	2,225	(145)
Loss from continuing operations for the year	21,849	21,104	8,712
Income from discontinued operations for the year	-	-	(3,850)
Loss and comprehensive loss for the year	21,849	21,104	4,862
Basic and diluted loss per common share	$0.18	$0.20	$0.05

For the year ended November 30, 2018, we reported a net loss of $21.8 million (or $0.18 basic and diluted loss per common share) compared to a net loss for the corresponding period in 2017 of $21.1 million (or $0.20 basic and diluted loss per common share) and a net loss of $4.9 million for the corresponding period in 2016 (or $0.05 basic and diluted loss per common share). The 2018 movement in net loss was primarily due to the increased size and magnitude of the field programs undertaken at our mineral properties. Adding to this variance in 2018 were incremental increases in general and administrative expenses, salaries and stock-based compensation, offset by decreases in professional fees as well the loss on disposition of GMI shares when compared to the prior year.

The 2017 movement in net loss was primarily due to the significantly increased size and magnitude of the field programs undertaken at our mineral properties in 2017 offset by a one-time gain in 2016 on the sale of Sunward Investments Ltd. ("Sunward Investments"), which, through a subsidiary, owned 100% of the Titiribi gold-copper exploration project in Colombia. Additionally, there were losses recognized on both the sale of investments as well as investments designated as held for trading in 2017 that did not exist in the prior fiscal year. The investment in shares and warrants to purchase shares in Gold Mining Inc. ("GMI") (formerly, Brazil Resources Inc.) that were acquired through the sale of Sunward Investments in 2016 were fully disposed of during the year ended November 30, 2018. In summary, in 2015 the Company acquired Sunward Resources Inc. receiving approximately $20.0 million in cash and the Titribi project valued at $3 million by issuing common shares of $23.0 million. In 2016, the Company sold the Titribi project for consideration of 5 million shares of GMI. We have subsequently sold the GMI shares for total net proceeds of C$7.6 million.

For the year ended November 30, 2018, we reported a net loss from continuing operations of $21.8 million (or $0.18 basic and diluted loss from continuing operations per common share) compared to a net loss for the corresponding period in 2017 of $21.1 million (or $0.20 basic and diluted loss from continuing operations per common share) and a net loss of $8.7 million for the corresponding period in 2016 (or $0.08 basic and diluted loss from continuing operations per common share).

The slight increase in the loss pertaining to 2018 relates to the size of the program undertaken at the UKMP in 2018. We executed a $16.5 million program at the UKMP in 2018, with $10.8 million on the Bornite Project funded by South32 under the Option Agreement. The 2018 field program consisted of 10,123 meters of exploration drilling at the Bornite Project. At Arctic, 593 meters of geotechnical drilling and 40 test pits were completed to provide additional geotechnical and hydrologic information for the waste rock dump, tailings management facility and surface infrastructure in the area.

Comparably, the significant increase in the loss pertaining to 2017 relates to the size of the program undertaken at the UKMP in 2017. We executed a $15.1 million program at the UKMP in 2017, with $10.0 million on the Bornite Project funded by South32 under the Option Agreement. The 2017 field program consisted of 8,437 meters of exploration drilling at the Bornite Project, 274 meters of geotechnical drilling and 26 test pits completed to determine site facility locations and mine design at the Arctic Project, and 785 meters of infill drilling to collect material for an ore-sorting study at the Arctic Project. Additionally, significant engineering work was completed on the PFS study at the Arctic Project that was completed in Q1 2018.

In contrast, in 2016, we executed a $5.0 million program on the Arctic Project. The program in 2016 was focused on moving the Arctic Project towards pre-feasibility compared to the significant programs undertaken at the Bornite and Arctic Projects in 2017 and 2018. In 2016, we completed a drill program consisting of 3,058 meters at the Arctic Project and increased the environmental baseline data collection and engineering site investigations. Mineral property expenses consist of direct drilling, personnel, community, resource reporting and other exploration expenses, as well as indirect project support expenses such as fixed wing charters, helicopter support, fuel, and other camp operation costs.

Additionally, the significant variance in 2016, compared to 2017 and 2018, relates to the gain recognized on the sale of Sunward Investments and the Titiribi Project of $4.4 million, pre-tax. This was a one-time event for which there is no comparable gain in either of the two subsequent years. As a result of the sale, the operations of Sunward Investments were reclassified as a discontinued operation, retrospectively. Expenses of $0.6 million for the year ended November 30, 2016 related to the Sunward Investments operations were reclassified to discontinued operations.

During the year ended November 30, 2018, the Company sold the remaining 2,365,000 common shares of GMI for proceeds of $2.3 million and realized a loss on sale of $0.3 million. Similarly, during the year ended November 30, 2017, the Company sold 2,525,000 common shares of GMI for proceeds of $3.5 million and realized a loss on sale of $0.6 million. For the year ended November 30, 2017, we recognized an unrealized loss on held for trading investments of $1.6 million on 2,365,000 common shares of GMI and 1,000,000 warrants to purchase a common share of GMI.

Professional fees for the year ended November 30, 2018 were $0.5 million, a decrease of $0.2 million from the $0.7 million incurred for the year November 30, 2017, and an increase of $0.1 million from the $0.4 million incurred for the year ended

November 30, 2016. Expenses in 2018 decreased from 2017 as the prior year included the arrangement with South32 and preparatory costs associated with the filing of a base shelf prospectus in Canada and the US. Costs in 2016 were down significantly from other years due to less corporate transaction activity as well as $0.2 million in costs related to the sale of Sunward recorded to discontinued operations.

Other variances for the year ended November 30, 2018 compared to 2017 and 2016 are as follows: (a) $1.5 million in general and administrative expenses in 2018 compared to $1.4 million in 2017 and $1.3 million in 2016 due to a less favorable foreign exchange movement; (b) $1.5 million in salaries in 2018 compared to $1 million in 2017 and 2016 due to changes in staffing levels at the corporate office; and (c) $1.4 million in stock based compensation in 2018 compared to $0.7 million in 2017 and $0.6 million in 2016 due to the fair value of grants valued using the Black-Scholes model, which is most sensitive to the Company's increased share price and future expected volatility.

The comparable basic and diluted loss per common share for 2018 of $0.18 is slightly lower than 2017 due to the dilutive effect of the increased weighted average number of shares outstanding at November 30, 2018 versus the prior year. The basic and diluted loss per common share for 2016 of $0.05 is lower than 2017 due to the gain on the sale of Sunward Investments recognized in the 2016 year.

Fourth quarter results

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).

Selected financial data

Annual information

The following annual information is prepared in accordance with U.S. GAAP.

in thousands of dollars

	Year ended November 30, 2018 $	Year ended November 30, 2017 $	Year ended November 30, 2016 $
Interest income	346	59	61
Expenses	21,923	18,930	8,918
Loss from continuing operations for the year	21,849	21,104	8,712
Income from discontinued operations for the year	-	-	(3,850)
Loss and comprehensive loss for the year	21,849	21,104	4,862
Total assets	54,659	40,279	46,747
Total liabilities	22,457	14,614	593

Quarterly information

in thousands of dollars, except per share amounts

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	11/30/18	08/31/18	05/31/18	02/28/18	11/30/17	08/31/17	05/31/17	02/28/17
	$	$	$	$	$	$	$	$
Interest and other income	**117**	135	77	17	13	23	12	11
Mineral property expenses	**3,833**	9,051	2,475	1,131	4,693	8,471	1,297	639
Earnings (loss) for the period	**(5,319)**	(9,920)	(3,664)	(2,946)	(6,726)	(8,992)	(2,390)	(2,996)
Earnings (loss) per common share – basic and diluted	**(0.04)**	(0.08)	(0.03)	(0.03)	(0.06)	(0.09)	(0.02)	(0.03)

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 Sunward, the disposition of investments held for trading and financing activities.

Our loss for the first quarter ended February 28, 2017 of $3.0 million is significantly increased compared to prior quarterly periods due to an unrealized loss on held for trading investments of $1.2 million. The investments are classified as held for trading and changes in the fair value of the investments are recorded through the statement of loss. Our loss for the second quarter ended May 31, 2017 of $2.4 million is significantly increased from the comparable period due to a significant increase is the size of our field program resulting in increased mineral property expenses of $1.3 million. Similarly, our loss for the third quarter ended August 31, 2017 of $9.0 million is significantly increased from the comparable loss of $4.3 million in the third quarter ended August 31, 2016 due to the size of the 2017 field program which was more than double the 2016 field program. The loss of $6.7 million for the fourth quarter ended November 30, 2017 is significantly increased compared to the earnings of $2.7 million recognized for the fourth quarter ended November 30, 2016. As discussed above under fourth quarter results, in 2016, a gain of $4.4 million was recognized on the sale of Sunward Investments, a non-recurring disposal of assets. The loss for the fourth quarter ended November 30, 2017 of $6.7 is significantly increased due to the length of the field program undertaken in 2017 which operated during the majority of the fourth quarter. In 2016, the field program did not extend into the fourth quarter and as such, mineral property expenses of $1.0 million incurred were related to engineering and other desktop studies undertaken during the comparable period.

Our loss for the first quarter ended February 28, 2018 of $2.9 million is consistent with the first quarter results of the comparative period and is a reflection of the seasonality of the mineral property expenses which are mostly incurred during the summer and fall season. Our loss for the second quarter ended May 31, 2018 of $3.7 million is significantly increased from the comparable period due to an increase in mineral property expenses related specifically to the work performed on the Arctic PFS results of which were released on February 20, 2018 with work related to writing and filing of the technical report performed during the second quarter prior to filing on April 6, 2018. Similarly, our loss for the third quarter ended August 31, 2018 of $9.9 million has increased from the comparable loss of $9 million in the third quarter ended August 31, 2017 due to the size of the 2018 field program which resulted in $0.6 million more in mineral properties expense and foreign exchange loss of $0.6 million, offset by $0.3 million lower loss on held for trade investments (disposition of GMI shares) versus the comparable period. The loss of $5.3 million for the fourth quarter ended November 30, 2018 is significantly lower when compared to the loss of $6.7 million recognized for the fourth quarter ended November 30, 2017. As discussed above under fourth quarter results, in 2017, a loss of $0.8 million was recognized on the sale and valuation of GMI shares classified as held for trading. There was no comparable loss in the fourth quarter 2018 as GMI shares were fully disposed by the third quarter of 2018.

Liquidity and capital resources

At November 30, 2018, we had $23.0 million in cash and cash equivalents. We expended $22.1 million on operating activities during the 2018 fiscal year compared with $15.4 million for operating activities for the same period in 2017, and expenditures of $8.7 million for operating activities for the same period in 2016. A majority of cash spent on operating activities during all periods was expended on mineral property expenses, general and administrative expenses, salaries and professional fees. The increase in cash spent in the year ended November 30, 2018 is mainly due to increased mineral property expenses of $1.4, general and administrative expenses of $0.2 million, salaries of $0.5 million and a reduction in accounts payable and accrued liabilities of $2.6 million. As at November 30, 2018, the Company had consolidated cash of $23.0 million and working capital of

$22 million. The Company continues to manage its cash expenditures through its working capital and funding from South32 under the Option Agreement. The Company has adequate funds to meet its operations and administration expenses.

On April 20, 2018, the Company completed a bought-deal financing for gross proceeds of $28.7 million by issuing 24,784,482 common shares at $1.16 per common share. Expenses including bank commissions, legal fees, stock exchange and other fees totaled $1.8 million for net proceeds of $26.9 million.

During the year ended November 30, 2018, we raised $12.7 million from investing activities. These investing proceeds consist of $10.4 million raised through mineral property funding from South32 and $2.3 million from proceeds from the sale of the remaining investments in GMI, net of $7 thousand expended on capital purchases. During the year ended November 30, 2017, we raised $13.5 million from investing activities. $10.4 million was raised through mineral property funding from South32, $3.5 million from proceeds from the sale of investments in GMI, net of $0.3 million expended on capital purchases. During the year ended November 30, 2016, we raised $0.2 million in sales from investments acquired through the sale of Sunward Investments.

Contractual obligations

Contractual obligated undiscounted cash flow requirements as at November 30, 2018 are as follows.

in thousands of dollars

	Total $	< 1 Year $	1–2 Years $	2–5 Years $	Thereafter $
Accounts payable and accrued liabilities	1,657	1,657	-	-	-
Office lease	1,065	174	372	519	-
Warehouse lease	168	57	111	-	-
	2,890	**1,888**	**483**	**519**	**-**

On February 21, 2017, the Company entered into a lease for office space effective July 1, 2017 for a period of seven years with a total commitment of $1.3 million.

On October 12, 2018, NovaCopper US Inc. entered into a lease for office and warehouse space effective October 15, 2018 for a period of three years with a total commitment of $175,000.

Off-balance sheet arrangements

We have no material off-balance sheet arrangements. The Company has lease commitments for office and warehouse space with a remaining total commitment of $1.2 million.

Outstanding share data

At February 8, 2019, we had 131,585,612 common shares issued and outstanding. At February 8, 2019, we had outstanding 6,521,740 warrants with an exercise price of $1.52 each, 8,821,434 stock options with a weighted-average exercise price of $0.60, 1,182,106 DSUs, 400,002 RSUs, and 11,927 NovaGold DSUs for which the holder is entitled to receive one common share for every six NovaGold shares received. For additional information on NovaGold Arrangement Options and NovaGold DSUs, please refer to note 8 in our November 30, 2018 audited consolidated financial statements. Upon the exercise of all the forgoing convertible securities, the Company would be required to issue an aggregate of 16,927,270 common shares.

Financial instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, investments, accounts payable and accrued liabilities, and embedded derivatives. 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. Our investments are held for trading and are marked-to-market at each period end with changes in fair value recorded to the statement of loss. The South32 purchase option is a derivative financial liability measured at fair value with changes in value recorded to the statement of loss.

(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 November 30, 2018 is limited the Canadian dollar balances consisting of cash of CDN$343,000, accounts receivable of CDN$19,000, and accounts payable of CDN$1,123,000. 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 $51,000.

(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. We hold cash and cash equivalents with Canadian Chartered financial institutions. Our accounts receivable consists of GST receivable from the Federal Government of Canada, receivable for tenant improvements and other receivables for recoverable expenses. Our 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 our capital structure and financial leverage. Future sources of liquidity may arise from equity financing, the exercise of mineral properties option, debt financing, convertible debt, or other means. 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. We are exposed to interest rate risk with respect to interest earned on cash and cash equivalents. Based on balances as at November 30, 2018, a 1% change in interest rates would result in a change in net loss of $0.2 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 November 30, 2018 audited 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 or 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(e) and 15d-15(e) of the US Exchange Act and the rules of Canadian Securities Administration, as at November 30, 2018. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at November 30, 2018.

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 U.S. 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. Management has used the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013) to evaluate the effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at November 30, 2018, the Company's internal control over financial reporting was effective.

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 available on SEDAR at www.sedar.com and 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.

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, 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;*
- *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 AMDIAP will receive the requisite permits and, if it does, whether AIDEA 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 contained herein 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.*

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 7, 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. 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.