Trilogy Metals Inc.

Management's Discussion & Analysis
For the Second Quarter Ended May 31, 2018

(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 16, 2018 and provides an analysis of our unaudited interim financial results for the quarter ended May 31, 2018 compared to the quarter ended May 31, 2017.

The following information should be read in conjunction with our May 31, 2018 unaudited interim consolidated financial statements and related notes, including recent accounting pronouncements, 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, 2017. 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 W. West, P.Geo., an employee and Exploration Manager of 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 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").

Project activities

Arctic Project

In a press release dated January 18, 2018, the Company announced additional in-fill drill results at its Arctic Project from the 2017 field program which included 785.2 meters of diamond drilling to collect representative sample material to conduct bulk ore sorting studies for the Arctic deposit. An additional 273.8 meters of sonic drilling was completed to collect geotechnical, hydrological, geothermal, and hydrogeological information for the tailings management facilities and waste rock dump for the project in support of the Pre-Feasibility Study titled "Arctic Project, Northwest Alaska, USA, NI 43-101 Technical Report on Pre-Feasibility Study" with an effective date of February 20, 2018 and a release date of April 6, 2018 (the "Arctic PFS").

In a press release dated February 20, 2018, the Company announced the positive results of its PFS for the Arctic PFS. These results convert indicated mineral resources at Arctic to probable mineral reserves.

Highlights of the Arctic PFS study are as follows:

- Pre-tax Net Present Value ("NPV")$_{8\%}$ of \$1,935.2 million calculated at the beginning of the three-year construction period and an Internal Rate of Return ("IRR") of 38.0% for the base case.
- After-tax NPV$_{8\%}$ of \$1,412.7 million and after-tax IRR of 33.4% for the base case.
- Initial capital expenditure of \$779.6 million and sustaining capital of \$65.9 million for total estimated capital expenditures of \$845.5 million over the estimated 12-year mine life. In addition, closure and reclamation costs are estimated at \$65.3 million.
- Estimated pre-tax and after-tax payback of initial capital within 2 years for the base case at \$3.00/lb copper. At \$2.00/lb copper, pre-tax and after-tax payback of initial capital is 3 years.

- Minimum 12-year mine life supporting a maximum 10,000 tonne-per-day conventional grinding mill-and-flotation circuit to produce copper, zinc and lead concentrates containing significant gold and silver by-products.
- Life of mine strip ratio of 6.9 to 1.
- Average annual payable production projected to be more than 159 million pounds of copper, 199 million pounds of zinc, 33 million pounds of lead, 30,600 ounces of gold and 3.3 million ounces of silver for life of mine.
- A capital intensity ratio on initial capital of approximately $6,200 per tonne of average annual copper equivalent produced.
- Estimated cash costs of $0.15/lb of payable copper (C1 cash costs include on-site mining and processing costs, road tolls and maintenance, transport, royalties, and is net of by-product credits).
- Total "all-in" cash costs (initial/sustaining capital, operating, transportation, treatment and refining charges, road toll, and by-product metal credits) estimated at $0.63/lb of payable copper.
- Economic indicators justify moving forward with permitting and a feasibility study.

The Arctic PFS was prepared under National Instrument 43-101 standards by independent consultant, Ausenco Engineering Canada Inc. ("Ausenco") of Vancouver, Canada and the full technical report was filed on SEDAR on April 6, 2018 and on EDGAR on April 12, 2018. The Company also engaged Amec Foster Wheeler ("Amec") to complete mine planning and SRK Consulting (Canada) Inc. ("SRK") to complete tailings and waste design, hydrology and water management studies.

In a press release dated May 29, 2018, the Company announced that our board of directors approved a $6.7 million budget to advance the Arctic Project towards feasibility and permitting. The focus of the Arctic work program for the remainder of the year is to be on geotechnical and hydrological engineering studies at the Arctic Project's proposed waste and tailings sites with the objective to advance the engineering design for these facilities to a feasibility level of study. A number of geotechnical and hydrological drill holes are to be completed to support this effort. The Company also expects to gather extensive environmental data for a variety of studies to support the submission of a mine permit application in 2019.

Bornite Project

In a press release dated December 4, 2017, the Company announced the final set of drill results at the Bornite Project from the 2017 exploration drill program and in a press release dated January 10, 2018, the Company announced the results of a metallurgical test work program demonstrating that a high quality, 30% copper concentrate containing no deleterious metals can be produced at the currently defined in-pit resource at the Bornite Project.

In a press release dated December 14, 2017, the Company announced that South32 Limited ("South32") had committed to fund the second tranche of $10 million under an Option Agreement on the UKMP entered into on April 10, 2017 ("Option Agreement"). The funds necessary to maintain the Option Agreement in good standing were fully received during the first quarter.

On May 3, 2018 the Company announced work had been initiated to estimate a cobalt resource for the Bornite Project and on June 5, 2018 the Company announced a maiden cobalt resource with the following highlights:

- At a base case 0.50% copper cut-off grade, and within the combined Indicated and Inferred Cu resource pit shell, the Bornite Project is estimated to contain in-pit Inferred Resources of 124.6 million tonnes grading 0.017% Co for 45 million pounds of contained cobalt (see Table 1 for details).
- Below the resource limiting pit shell and at a base case cut-off grade of 1.5% copper, the Bornite Project is estimated to contain additional Inferred Resources of 57.8 million tonnes grading 0.025% Co for 32 million pounds of contained cobalt.
- Total Inferred Resources (in-pit and below-pit) of 182.4 million tonnes grading 0.019% Co for 77 million pounds of contained cobalt (see Table 1 for details).

Table 1: Estimate of Cobalt Mineral Resources for the Bornite Deposit

Type	Cut-off (Cu%)	Tonnes (million)	Average Grade Co (%)	Contained Metal Co (Mlbs)
In-Pit	0.5	124.6	0.017	45
Below-Pit	1.5	57.8	0.025	32
Total Inferred		**182.4**	**0.019**	**77**

1. Resources stated as contained within a pit shell developed using a metal price of $3.00/lb Cu, mining costs of $2.00/tonne, milling costs of $11/tonne, G&A cost of $5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees.
2. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves.
3. It is reasonably expected that the majority of Inferred mineral resources could be upgraded to Indicated mineral resources with additional exploration.

Corporate developments

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 Vice President, Projects to the Company's senior management team.

Outlook

The 2018 program and budget at the Bornite Project of $10 million, which includes in-fill and off-set drilling to better define and expand the high grade copper resources at Bornite, is currently underway. Camp opened mid-May and a seismic program was completed in early June. Three drill rigs have started up in June to complete a planned field program of approximately 8,000 meters of drilling. Assay results from the drilling program are anticipated to be released throughout the fall. The Company also anticipates filing an updated technical report for the Bornite Project by July 20, 2018 incorporating the Company's cobalt resources and updates from the 2017 drill program at Bornite.

The 2018 program and budget at the Arctic Project of $6.7 million includes the work performed to date on the Arctic PFS and work to advance the Arctic Project towards feasibility and permitting. In May 2018, the Company completed an ore sorting test at the Steinert facility in Kentucky, Ohio and results are being incorporated into a final ore sorting study expected by the end of the third quarter. One drill has started up in June at Arctic for feasibility level geotechnical drilling at the sites identified in the Arctic PFS for the tailings dam and waste storage facilities. We are anticipating drilling 580 meters for geotechnical and hydrological studies. Engineering studies are planned to include additional metallurgical, tailings and waste dump design, water treatment and water balance studies for the feasibility study and permitting. We will also continue with baseline environmental studies which includes hydrology, meteorological, sampling and archeology data collection.

We will be continuing to work closely with The Alaska Industrial Development and Export Authority ("AIDEA") (the proponent for the Ambler Mining District Industrial Access Project ("AMDIAP")) to advance the permitting process on the AMDIAP throughout 2018. On April 30, 2018 the Bureau of Land Management ("BLM") released the Ambler Road Environmental Impact Statement Scoping Summary Report. Permitting of the AMDIAP under the National Environmental Policy Act ("NEPA") Environmental Impact Statement ("EIS") process has now concluded the "Scoping Phase" of permitting and has moved to the "Draft EIS Phase". Per the BLM's website, the Draft EIS is scheduled for the end of March 2019.

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 a number of deposits, including the high-grade copper-zinc-lead-gold-silver Arctic Project, and other mineralized targets within a 100 kilometer long volcanogenic massive sulfide ("VMS") belt, are owned by NovaCopper 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 Project 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 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 Project as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies.

Summary of results

in thousands of dollars, except for per share amounts

	Three months ended		Six months ended	
Selected expenses	**May 31, 2018 $**	**May 31, 2017 $**	**May 31, 2018 $**	**May 31, 2017 $**
General and administrative	454	407	799	785
Mineral properties expense	2,475	1,297	3,606	1,936
Professional fees	114	193	273	318
Salaries	223	224	452	466
Salaries – stock-based compensation	151	106	1,073	499
Investor relations	138	93	202	156
Loss and comprehensive loss for the period	3,664	2,390	6,610	5,387
Basic and diluted loss per common share	$0.03	$0.02	$0.06	$0.05

For the three months ended May 31, 2018, Trilogy reported a net loss of $3.7 million (or $0.03 basic and diluted loss per common share) compared to a net loss of $2.4 million for the corresponding period in 2017 (or $0.02 basic and diluted loss per common share). This variance was primarily due to the difference in mineral properties expense with the preparation of the Arctic PFS in 2018 with no comparable activity in 2017. An increase of $1.2 million of mineral property expenses occurred during the three months ended May 31, 2018 compared to the three months ended May 31, 2017.

Other differences noted for the comparable periods were i) an increase in general and administrative expenses to support the increased field program at the UKMP; ii) a decrease in professional fees as the main activity in the second quarter of 2018 was related to the financing completed on April 20, 2018 with the associated legal fees recorded as issuance costs in shareholders equity; and iii) an increase in investor relations expenses due to the Company's increased level of marketing activity including attendance at more investor conferences in 2018 compared with 2017.

The basic and diluted loss per common share of $0.03 for the three months ended May 31, 2018 is increased from the basic and diluted loss per common share of $0.02 for the three months ended May 31, 2017 due to the increased activities affecting the loss for the period as described above.

For the six months ended May 31, 2018, Trilogy reported a net loss of $6.6 million (or $0.06 basic and diluted loss per common share) compared to a net loss of $5.4 million for the corresponding period in 2017 (or $0.05 basic and diluted loss per common share). This variance was primarily due to the increased activity level at our projects which amounts are recorded as mineral properties expense. An increase of $1.7 million of mineral property expenses occurred during the six months ended May 31, 2018 compared to the six months ended May 31, 2017 due to the work performed for the Arctic PFS in 2018 with no comparable activity in 2017. Similar to the activity levels for the three months ended May 31, 2018, other differences noted relate to i) a small increase in general and administrative expenses; ii) a decrease in professional fees as legal costs related to the financing completed on April 20, 2018 are recorded as issuance costs in shareholders equity; and iii) an increase in investor relations expenses due to an increase in the number of investor conferences attended in 2018 compared with 2017.

The basic and diluted loss per common share of $0.06 for the six months ended May 31, 2018 is increased from the basic and diluted loss per common share of $0.05 for the six months ended May 31, 2017 due to the increased activities affecting the loss as described above.

Selected financial data

Quarterly information

in thousands of dollars, except per share amounts

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
	05/31/18 $	02/28/18 $	11/30/17 $	08/31/17 $	05/31/17 $	02/28/17 $	11/30/16 $	08/31/16 $
Interest and other income	77	17	13	23	12	11	10	16
Mineral property expenses	2,475	1,131	4,693	8,471	1,297	639	970	3,077
Income (loss) from discontinued operations for the period	-	-	-	-	-	-	4,561	(352)
Earnings (loss) for the period	(3,664)	(2,946)	(6,726)	(8,992)	(2,390)	(2,996)	2,736	(4,255)
Earnings (loss) per common share – basic and diluted	(0.03)	(0.03)	(0.06)	(0.09)	(0.02)	(0.03)	0.03	(0.04)

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. Realized and unrealized losses or gains on held for trading investments had significant movements period-to-period which affect the quarterly earnings or loss for the period. The investments consist of common shares and warrants in GoldMining Inc. ("GMI") acquired as consideration for the sale of Sunward Investments Limited ("Sunward") and its Titiribi gold-copper exploration project in Colombia on September 1, 2016. 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 and financing activities.

Our loss for the second quarter ended May 31, 2018 of $3.7 million has increased over the loss for the first quarter ended February 28, 2017 of $3.0 million 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. Our loss for the first quarter ended February 28, 2018 of $2.9 million was lower compared to two prior quarterly periods and is a reflection of the seasonality of the mineral property expenses which are mostly incurred during the summer and fall field season.

Our loss for the fourth quarter ended November 30, 2017 of $6.7 million and third quarter ended August 31, 2017 of $9.0 million respectively, significantly increased compared to prior quarterly periods due to the size and length 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. In 2016, a gain of $4.4 million was recognized on the sale of Sunward Investments. The loss for the fourth quarter ended November 30, 2017 of $6.7 million also increased significantly 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.

Liquidity and capital resources

At May 31, 2018, we had $37.5 million in cash and cash equivalents and working capital of $36.1 million. The increase in cash and working capital was a result of fully receiving the $10.0 million Year 2 funding from South32 and closing of a bought-deal financing for net proceeds of $26.9 million.

We expended $6.6 million on operating activities during the three months ended May 31, 2018 compared with $3.6 million for operating activities for the same period in 2017. A majority of cash spent on operating activities during all periods was expended on mineral property expenses, general and administrative, salaries and professional fees. During the three months ended May 31, 2018, we generated $2.1 million (2017 - $0.9 million) in proceeds from the sale of investments. As at May 31, 2018 we have sold a total of 4,720,000 GoldMining Inc. ("GMI") shares and subsequent to the end of the quarter, in June 2018 we sold the remaining 280,000 GMI shares that we held, for a grand total of 5 million GMI shares sold for gross proceeds of C$7.6 million. The proceeds were used for general operating activities.

As at May 31, 2018 the Company continues to manage its cash expenditures and management believes that the working capital available is sufficient to meet its operational requirements for the next three years.

Contractual obligations

Contractual obligated undiscounted cash flow requirements as at May 31, 2018 are as follows.

in thousands of dollars

	Total $	< 1 Year $	1–2 Years $	2–5 Years $	Thereafter $
Accounts payable and accrued liabilities	2,567	2,567	-	-	-
Office lease	1,181	175	374	614	18
	3,748	**2,742**	**374**	**614**	**18**

Off-balance sheet arrangements

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

Outstanding share data

At July 16, 2018, we had 131,467,266 common shares issued and outstanding. At July 16, 2018, we had outstanding 6,521,740 warrants with an exercise price of $1.52 each, 9,076,043 stock options with a weighted-average exercise price of $0.61, 1,136,629 deferred share units, and 400,002 restricted share units. Upon exercise of all of the foregoing convertible securities, the Company would be required to issue an aggregate of 17,150,027 common shares.

Financial instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, investments, 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. 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. Our financial instruments are subject to the following risks:

(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, 2018 is limited to the Canadian dollar consisting of cash of C$1.8 million, deposit amounts of C$0.1 million, investments of C$0.3 million and accounts payable of C$0.4 million. 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 $0.2 million.

(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 Canadian Goods and Services Tax receivable from the Federal Government of Canada 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 the capital structure and financial leverage. Future financings 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 financing completed this year is disclosed under the section titled "Corporate Developments". 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 May 31, 2018, a 1% change in interest rates would result in a change in net loss of $0.1 million, assuming all other variables remain constant.

New accounting pronouncements

Certain recent accounting pronouncements have been included under note 2 in our May 31, 2018 unaudited interim consolidated financial statements which are available on the Company's SEDAR profile at www.sedar.com and on the Company's EDGAR profile at www.sec.gov.

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, accounting for business combinations, 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.

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 U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules of Canadian Securities Administration, as of May 31, 2018. 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 three month period ended May 31, 2018, 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. In addition to the risks set out herein, certain of these risks and uncertainties are under the heading "Risk Factors" under Trilogy's Form 10-K dated February 2, 2018 which is available on SEDAR at www.sedar.com, EDGAR at www.sec.gov and on our website at www.trilogymetals.com.

We have not defined any proven or probable reserves and none of our mineral properties are in production or under development.

We have no history of commercially producing precious or base metals and all of our properties are in the exploration stage. Mineral exploration involves significant risk, since few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. We cannot assure you that we will establish the presence of any additional measured resources, or proven or probable reserves at the Upper Kobuk Mineral Projects, or any other properties. The failure to establish measured mineral resources, or proven or probable reserves, would severely restrict our ability to implement our strategies for long-term growth.

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 Canadian Securities laws, Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the Exchange Act, and other applicable securities laws (collectively, "forward-looking statements"). 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 relating to anticipated activity with respect to the Ambler Mining District Industrial Access Project, including 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 the 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;*
- *uncertainties related to the Company's exploration programs, metallurgical studies and other activities at its properties;*
- *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 Arctic PFS;*
- *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;*
- *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 annual report on Form 10-K filed with the Canadian securities regulatory authorities and the SEC on February 2, 2018, 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.