Trilogy Metals Inc.

Consolidated Financial Statements
November 30, 2017, 2016 and 2015

(expressed in US dollars)

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Management's Report on Internal Control over Financial Reporting

The management of Trilogy Metals Inc. is responsible for establishing and maintaining adequate internal control over financial reporting under Rule 13a-15(f) and 15d-15(f) of the U.S. Exchange Act. The Securities Exchange Act of 1934 defines this as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that may have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of November 30, 2017. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013).

Based upon our assessment and those criteria, management concluded that the Company's internal control over financial reporting is effective as of November 30, 2017.

/s/ Rick Van Nieuwenhuyse

Rick Van Nieuwenhuyse
President & Chief Executive Officer

/s/ Elaine Sanders

Elaine Sanders
Vice President & Chief Financial Officer

February 1, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders of Trilogy Metals Inc.

We have audited the accompanying consolidated balance sheets of Trilogy Metals Inc. as of November 30, 2017 and 2016 and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the three-year period ended November 30, 2017. Management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trilogy Metals Inc. as of November 30, 2017 and 2016 and the results of its operations and its cash flows for each of the years in the three-year period ended November 30, 2017 in conformity with accounting principles generally accepted in the United States of America.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants
Vancouver, British Columbia
February 1, 2018

Trilogy Metals Inc.
Consolidated Balance Sheets
As at November 30, 2017 and 2016

in thousands of US dollars

	November 30, 2017 $	November 30, 2016 $
Assets		
Current assets		
Cash and cash equivalents	5,391	7,340
Accounts receivable	470	47
Deposits and prepaid amounts	837	724
Current investments (note 3)	2,516	7,538
	9,214	15,649
Investments (note 3)	-	297
Plant and equipment (note 4)	478	215
Mineral properties and development costs (note 5)	30,587	30,586
	40,279	**46,747**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	4,249	593
	4,249	593
Mineral properties purchase option (note 5c)	10,365	-
	14,614	593
Shareholders' equity		
Share capital (note 9) – *unlimited common shares authorized, no par value*		
Issued –105,684,523 (2016 – 105,286,469)	136,525	136,357
Warrants (note 9(e))	2,163	2,163
Contributed surplus	124	124
Contributed surplus – options (note 9(a, b))	18,402	18,134
Contributed surplus – units (note 9(d))	1,319	1,140
Deficit	(132,868)	(111,764)
	25,665	46,154
	40,279	**46,747**

Commitments and contingencies (notes 5, 9, 12, 13,14)
Subsequent events (note 14)

(See accompanying notes to the consolidated financial statements)

/s/ Rick Van Nieuwenhuyse, Director

/s/ Kalidas Madhavpeddi, Director

Approved on behalf of the Board of Directors

Trilogy Metals Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended November 30

in thousands of US dollars, except share and per share amounts

	2017 $	2016 $	2015 $
Expenses			
Amortization	107	79	292
Foreign exchange (gain) loss	(395)	204	3
General and administrative	1,385	1,337	1,346
Investor relations	345	201	88
Mineral properties expense (note 5(d))	15,100	5,037	4,167
Professional fees	708	442	1,346
Salaries	975	1,003	1,085
Salaries – stock-based compensation	705	615	831
Total expenses	18,930	8,918	9,158
Other items			
Unrealized loss (gain) on held for trading investments	1,645	(88)	-
Loss (gain) on sale of investments	580	(57)	-
Loss on disposal of equipment	8	-	-
Interest and other income	(59)	(61)	(24)
Loss from continuing operations for the year	**21,104**	**8,712**	**9,134**
Loss from discontinued operations	-	598	398
Gain on sale of Sunward Investments Ltd.	-	(4,448)	-
(Income)/loss from discontinued operations for the year (note 7)	**-**	**(3,850)**	**398**
Loss and comprehensive loss for the year	**21,104**	**4,862**	**9,532**
Basic and diluted loss from continuing operations per common share	$0.20	$0.08	$0.11
Basic and diluted (earnings)/loss from discontinued operations per common share	-	$(0.04)	$0.01
Basic and diluted loss per common share	**$0.20**	**$0.05**	**$0.12**
Weighted average number of common shares outstanding	**105,562,769**	**105,103,952**	**80,312,913**

(See accompanying notes to the consolidated financial statements)

Trilogy Metals Inc.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended November 30

in thousands of US dollars, except share amounts

	Number of shares outstanding	Share capital $	Warrants $	Contributed surplus $	Contributed surplus – options $	Contributed surplus – units $	Deficit $	Total shareholders' equity $
Balance – 2014	**60,296,365**	**111,833**	**2,163**	**124**	**17,089**	**2,008**	**(97,370)**	**35,847**
Issuance pursuant to Sunward Arrangement	43,116,312	22,851	-	-	108	-	-	22,959
Restricted Share Units to settle liability	-	-	-	-	-	183	-	183
Exercise of options	7,499	7	-	-	(7)	-	-	-
Exercise of Sunward Arrangement Options	347,999	177	-	-	(35)	-	-	142
Restricted Share Units	795,368	819	-	-	-	(819)	-	-
Deferred Share Units	232,878	353	-	-	-	(353)	-	-
Stock-based compensation	-	-	-	-	686	145	-	831
Loss for the year	-	-	-	-	-	-	(9,532)	(9,532)
Balance – 2015	**104,796,421**	**136,040**	**2,163**	**124**	**17,841**	**1,164**	**(106,902)**	**50,430**
Exercise of options	162,854	65	-	-	(65)	-	-	-
Restricted Share Units	108,399	34	-	-	-	(63)	-	(29)
Deferred Share Units	218,795	218	-	-	-	(218)	-	-
Stock-based compensation	-	-	-	-	358	257	-	615
Loss for the year	-	-	-	-	-	-	(4,862)	(4,862)
Balance – 2016	**105,286,469**	**136,357**	**2,163**	**124**	**18,134**	**1,140**	**(111,764)**	**46,154**
Exercise of options	188,856	85	-	-	(85)	-	-	-
Restricted Share Units	209,198	83	-	-	-	(173)	-	(90)
Stock-based compensation	-	-	-	-	353	352	-	705
Loss for the year	-	-	-	-	-	-	(21,104)	(21,104)
Balance – 2017	**105,684,523**	**136,525**	**2,163**	**124**	**18,402**	**1,319**	**(132,868)**	**25,665**

(See accompanying notes to the consolidated financial statements)

Trilogy Metals Inc.
Consolidated Statements of Cash Flows
For the Years Ended November 30

in thousands of US dollars

	2017 $	2016 $	2015 $
Cash flows used in operating activities			
Loss for the year	(21,104)	(4,862)	(9,532)
Items not affecting cash			
Amortization	107	174	355
Gain on sale of Sunward Investments Ltd.	-	(4,448)	-
Loss (gain) on sale of investments, net of foreign exchange	452	(57)	-
Loss on disposal of equipment	8	-	-
Unrealized loss (gain) on held for trading investments	1,645	(88)	-
Unrealized foreign exchange (gain) loss	(265)	184	-
Stock-based compensation	705	615	831
Net change in non-cash working capital			
Decrease (increase) in accounts receivable	(423)	(8)	156
Decrease (increase) in deposits and prepaid amounts	(113)	(59)	(28)
Increase (decrease) in accounts payable, accrued liabilities and due to related parties	3,577	(143)	(217)
	(15,411)	**(8,692)**	**(8,435)**
Cash flows from (used in) financing activities			
Proceeds received on exercise of Sunward Arrangement Options	-	-	142
Settlement of Restricted Share Units	(90)	(29)	-
	(90)	**(29)**	**142**
Cash flows from (used in) investing activities			
Acquisition of plant & equipment	(300)	(122)	(48)
Mineral properties funding (note 5)	10,365	-	-
Proceeds from disposition of equipment	-	-	7
Proceeds from the sale of investments, net of fees	3,479	228	-
Net cash outflow from the disposition of Sunward Investments Ltd.	-	(184)	-
Cash acquired through Sunward Arrangement	-	-	19,399
	13,544	**(78)**	**19,358**
(Decrease) increase in cash and cash equivalents	(1,957)	(8,799)	11,065
Effect of exchange rate on cash and cash equivalents	8	-	-
Cash and cash equivalents – beginning of year	7,340	16,139	5,074
Cash and cash equivalents – end of year	**5,391**	**7,340**	**16,139**
Less cash and cash equivalents of discontinued operations – end of year	-	-	(75)
Cash and cash equivalents of continuing operations – end of year	**5,391**	**7,340**	**16,064**

	2017 $	2016 $	2015 $
Non-cash investing and financing activities			
Acquisition of investments from the sale of Sunward Investments Ltd.	-	8,102	-
Issuance of common shares and arrangement options on acquisition of Sunward	-	-	22,959

(See accompanying notes to the consolidated financial statements)

Trilogy Metals Inc.
Notes to the Consolidated Financial Statements

1 Nature of operations

Trilogy Metals Inc., formerly NovaCopper Inc., ("Trilogy", the "Company", or "we") was incorporated in British Columbia under the Business Corporations Act (BC) on April 27, 2011. The Company changed its name from NovaCopper Inc. to Trilogy Metals Inc. on September 1, 2016 to better reflect its diversified metals resource base. The Company is engaged in the exploration and development of mineral properties with a focus on the Upper Kobuk Mineral Projects ("UKMP"), including the Arctic and Bornite Projects located in Northwest Alaska in the United States of America ("US").

2 Summary of significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared using accounting principles generally accepted in the United States ("U.S. GAAP") and include the accounts of Trilogy and its wholly-owned subsidiary, NovaCopper US Inc. ("Trilogy Metals US"). All significant intercompany transactions are eliminated on consolidation.

These consolidated financial statements included the accounts of Sunward Resources Ltd. ("Sunward"), Sunward Investments Ltd. ("Sunward Investments") and Sunward Resources Limited ("Sunward BVI") for the period June 19, 2015 to September 1, 2016, inclusive. At the time, Sunward BVI had a registered a branch, Sunward Resources Sucursal Colombia, to do business in Colombia.

All figures are in United States dollars unless otherwise noted. References to CDN$ refer to amounts in Canadian dollars.

These financial statements were approved by the Company's Board of Directors for issue on February 1, 2018.

Cash and cash equivalents

Cash and cash equivalents comprise of highly liquid investments maturing less than 90 days from date of initial investment. Cash and cash equivalents are designated as loans and receivables.

Plant and equipment

Plant and equipment are recorded at cost and amortization begins when the asset is put into service. Amortization is calculated on a straight-line basis over the respective assets' estimated useful lives. Amortization periods by asset class are:

Computer hardware and software	3 years
Machinery and equipment	3 years
Office furniture and equipment	5 years
Vehicles	3 years
Leasehold Improvements	lease term

Mineral properties and development costs

All direct costs related to the acquisition of mineral property interests are capitalized. Mineral property exploration expenditures are expensed when incurred. When it has been established that a mineral deposit is commercially mineable, an economic analysis has been completed in accordance with SEC Industry Guide 7 and permits are obtained, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Capitalized costs will be amortized following commencement of production using the unit of production method over the estimated life of proven and probable reserves.

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 titles to its mining assets are 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 long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other 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 operating, capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

Income taxes

The liability method of accounting for income taxes is used and is based on differences between the accounting and tax bases of assets and liabilities. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes using enacted income tax rates expected to be in effect for the period in which the differences are expected to reverse. Deferred income tax assets are evaluated and, if realization is not considered more likely than not, a valuation allowance is provided.

Uncertainty in income tax positions

The Company recognizes tax benefits from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Any tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the taxing authorities. Related interest and penalties, if any, are recorded as tax expense in the tax provision.

Financial instruments

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices or valuation models, as appropriate. Valuation models require the use of assumptions which may include the expected life of the instrument, the expected volatility, dividend payouts, and interest rates. In determining these assumptions, management uses readily observable market inputs where available or, where not available, inputs generated by management. Changes in fair value of held-for-trading financial instruments are recorded in income or loss for the period. Held-for-trading financial assets consist of common share and warrant investments in a publicly-held mining company.

Available-for-sale financial assets are recorded at fair value as determined by active market prices. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income. If a decline in fair value is deemed to be other than temporary, the unrealized loss is recognized in net earnings. Investments in equity instruments that do not have an active quoted market price are measured at cost. The Company has no available-for-sale financial assets.

Loans and receivables are recorded initially at fair value, net of transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Loans and receivables consist of cash and cash equivalents, accounts receivable, and deposits.

Other financial liabilities are recorded initially at fair value and subsequently at amortized cost using the effective interest rate method. Other financial liabilities include accounts payable and accrued liabilities.

Translation of foreign currencies

Monetary assets and liabilities are translated into United States dollar at the exchange rate in effect at the balance sheet date, and non-monetary assets and liabilities at the exchange rate in effect at the time of acquisition or issue. Income and expenses are translated at rates approximating the exchange rate in effect at the time of transactions. Exchange gains or losses arising on translation are included in income or loss for the period.

The functional currency of the Company and its subsidiary and the Company's reporting currency is the United States dollar.

Earnings and loss per share

Earnings and loss per common share is calculated based on the weighted average number of common shares outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period.

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 dividend yield and the risk-free interest rate over the expected life of the option. The compensation cost is recognized using the graded attribution method over the vesting period of the respective options. The expense relating to the fair value of stock options is included in expenses and is credited to contributed surplus. Shares are issued from treasury in settlement of options exercised.

Compensation expense for restricted share units ("RSUs") and deferred share units ("DSUs") granted to employees and directors, respectively, is determined based on estimated fair values of the units at the time of grant using quoted market prices or at the time the units qualify for equity classification under ASC 718. The cost is recognized using the graded attribution method over the vesting period of the respective units. The expense relating to the fair value of the units is included in expenses and is credited to other liabilities or contributed surplus based on the unit's classification. Units may be settled in either i) cash, and/or ii) shares purchased in the open market, and/or iii) shares issued from treasury, at the Company's election at the time of vesting.

Use of estimates and measurement uncertainties

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions of future events that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of expenditures during the period. Significant estimates include the assessment of impairment of mineral properties, , income taxes, and the valuation of stock-based compensation. Actual results could differ materially from those reported.

Accounting standards adopted

Statement of cash flows

In November 2016, the FASB issued guidance regarding the presentation of restricted cash in the statement of cash flows ("ASU 2016-18"). This update is effective for annual reporting periods beginning after December 15, 2017, and early adoption is permitted. The Company has analyzed the impact of the update and determined that the clarification will not affect the Company's presentation on its statement of cash flows. The Company early adopted the standard during the year. As there was no impact on the Company's statement of cash flows, there were no changes as a result of adopting the standard.

Recent accounting pronouncements

i. Leases

In February 2016, the FASB issued new accounting requirements for accounting for, presentation of, and classification of leases ("ASU 2016-02"). This will result in most leases being capitalized as a right of use asset with a related liability on the balance sheets. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, which for us is the first quarter of fiscal year 2020. We expect the adoption will have an impact as we expect to capitalize leases, specifically our office leases that are not currently recognized on the balance sheets and we are in the process of analyzing the quantitative impact of this guidance on our results of operations and financial position. The impact of this adoption will increase asset and liability balances as part of recognizing the leases on the balance sheet. It will impact the statement of loss and comprehensive loss due to the recognition of depreciation on the leased assets and interest expense from the lease liability compared to the current recognition of lease expense as incurred.

ii. Financial instruments

In March 2016, the FASB issued new guidance on classifying and measuring financial instruments ("ASU 2016-02"). This update is effective for annual reporting periods beginning after December 15, 2017, and early adoption is permitted. The Company has analyzed the impact of the update and determined that the changes to classification and measurement of financial instruments are not expected to have an impact as the Company's current equity investments are held at fair value with changes recorded to the statement of loss and comprehensive loss. The remaining changes in the update do not have an effect on the Company's accounting for financial instruments. The standard will be effective for the Company for the fiscal year ended November 30, 2018.

iii. Stock-based compensation

In March 2016, the FASB issued new guidance simplifying the accounting for stock-based compensation transactions, including income tax consequences, classification of awards as equity or liabilities, forfeitures, and classification on the statement of cash flows ("ASU 2016-09"). This update is effective for annual reporting periods beginning after December 15, 2016, and early adoption is permitted. The Company has analyzed the impact of the update and determined that the simplification applied to accounting for forfeitures may affect the results of operations and financial position as it could alter the timing of recognition of forfeitures. The Company is currently considering its policy choice. The remaining changes in the update do not have an effect on the Company's accounting for stock-based compensation. The standard will be effective for the Company for the fiscal year ended November 30, 2018.

iv. Business combinations

In January 2017, the FASB issued new guidance to assist in determining if a set of assets and activities being acquired or sold is a business ("ASU 2017-01"). It also provided a framework to assist entities in evaluating whether both an input and a substantive process are present, which at a minimum, must be present to be considered a business. This update is effective for annual reporting periods beginning after December 15, 2017, and early adoption is permitted in most circumstances. The standard does not have an impact to the Company's historical recognition of asset acquisitions and business combinations, however, it expects there would be an impact to how the Company accounts for assets acquired in the future. The Company plans to adopt the standard early for the fiscal year ended November 30, 2018.

3 Investments

On September 1, 2016, Trilogy acquired 5,000,000 common shares of GoldMining Inc. ("GMI"), formerly Brazil Resources Inc., a public company listed on the TSX-Venture exchange, and 1,000,000 warrants, with each warrant exercisable into one common share of GMI until September 1, 2018 at an exercise price of CDN$3.50, through its sale of Sunward Investments. Sunward Investments, through a subsidiary, owned 100% of the Titiribi gold-copper exploration project (note 7).

The common shares and warrants received have been designated as held-for-trading financial assets. The fair value of the common shares is determined based on the closing price at each period end. The fair value of the GMI warrants is determined using the Black-Scholes option pricing model at each period end.

in thousands of dollars

	November 30, 2017 $	November 30, 2016 $
Current investments	2,516	7,538
Long-term investments	-	297
Investments	**2,516**	**7,835**

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. During the year ended November 30, 2016, the Company sold 110,000 common shares of GMI for net proceeds of $0.2 million and realized a gain on sale of $0.06 million. For the year ended November 30, 2017, the Company recorded an unrealized loss on the common shares and warrants of GMI of $1.6 million (2016 - gain of $0.1 million).

As at November 30, 2017, the Company held 2,365,000 (2016 – 4,890,000) common shares of GMI and 1,000,000 (2016 – 1,000,000) warrants.

4 Plant and equipment

in thousands of dollars

			November 30, 2017
	Cost $	Accumulated amortization $	Net $
British Columbia, Canada			
Furniture and equipment	63	(4)	59
Leasehold improvements	85	(34)	51
Computer hardware and software	108	(105)	3
Alaska, USA			
Machinery, and equipment	3,178	(2,855)	323
Vehicles	348	(309)	39
Computer hardware and software	35	(32)	3
	3,817	**(3,339)**	**478**

in thousands of dollars

			November 30, 2016
	Cost $	Accumulated amortization $	Net $
British Columbia, Canada			
Furniture and equipment	46	(33)	13
Leasehold improvements	32	(28)	4
Computer hardware and software	108	(96)	12
Alaska, USA			
Machinery, and equipment	2,921	(2,798)	123
Vehicles	348	(285)	63
Computer hardware and software	31	(31)	-
	3,486	**(3,271)**	**215**

5 Mineral properties and development costs

in thousands of dollars

	November 30, 2016 $	Acquisition costs $	November 30, 2017 $
Alaska, USA			
Ambler (a)	26,586	1	26,587
Bornite (b)	4,000	-	4,000
	30,586	**-**	**30,587**

in thousands of dollars

	November 30, 2015 $	Acquisition costs $	November 30, 2016 $
Alaska, USA			
Ambler (a)	26,586	-	26,586
Bornite (b)	4,000	-	4,000
	30,586		**30,586**

(a) Ambler

On January 11, 2010, NovaGold Resources Inc. ("NovaGold"), through Alaska Gold Company ("AGC"), at the time a wholly-owned subsidiary, purchased 100% of the Ambler lands in Northwest Alaska, which contains the copper-zinc-lead-gold-silver Arctic Project and other mineralized targets within the volcanogenic massive sulfide belt, through a series of cash and share payments. Total fair value of the consideration was $26.6 million. The vendor retained a 1% net smelter return royalty that can be purchased at any time for a one-time payment of $10.0 million.

The Ambler lands were acquired on October 17, 2011 by Trilogy Metals US through a purchase and sale agreement with AGC. On October 24, 2011, NovaGold transferred its ownership of Trilogy Metals US to the Company, then a wholly owned subsidiary of NovaGold, which was subsequently spun-out to NovaGold shareholders and publicly listed on April 30, 2012 ("NovaGold Arrangement").

Minor staking of $1 added to the Ambler land holdings during the year ended November 30, 2017.

(b) Bornite

On October 19, 2011, Trilogy Metals US acquired the exclusive right to explore and the non-exclusive right to access and enter on the Bornite lands, and lands deeded to NANA Regional Corporation, Inc. ("NANA") through the Alaska Native Claims Settlement Act, located adjacent to the Ambler lands in Northwest Alaska. As consideration, Trilogy Metals US paid $4 million to acquire the right to explore and develop the combined Upper Kobuk Mineral Projects through an Exploration Agreement and Option to Lease with NANA. Upon a decision to proceed with construction of a mine on the lands, NANA maintains the right to purchase between a 16%-25% ownership interest in the mine or retain a 15% net proceeds royalty which is payable after Trilogy Metals US has recovered certain historical costs, including capital and cost of capital. Should NANA elect to purchase an ownership interest, consideration will be payable equal to all historical costs incurred on the properties at the elected percentage purchased less $40 million, not to be less than zero. The parties would form a joint venture and be responsible for all future costs, including capital costs of the mine based on their pro-rata share.

NANA would also be granted a net smelter return royalty of 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 classification of land from which production originates.

(c) 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, ("South32") on the UKMP ("Option Agreement"). Trilogy Metals US has 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 limited liability company ("JV LLC"), plus any amounts Trilogy Metals US spends at the Arctic Project over the next three years to a maximum of $5 million per year (the "Subscription Price"), less an amount of the initial funding contributed by South32.

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 based on the approved program. 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 JV LLC and make the subscription payment.

The Company received $10.0 million for the first payment following the approval of the year 1 program and budget in April 2017. These funds were expended on the year 1 program at the Bornite Project during the year. In October 2017, the Company received $0.4 million as a first instalment towards the year 2 program and budget to begin preparatory work. The Company is responsible for the disbursement of these funds in accordance with the approved program and budget and accordingly has not classified the funds as restricted cash.

As the initial option payments are credited against the future subscription price upon exercise, the Company has accounted for the payment received as deferred consideration for the purchase of the UKMP interest. 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 the Company's contribution of the UKMP into JV LLC. If South 32 withdraws from the Option Agreement, the consideration will be recognized in the statement of loss at that time.

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. The Company determined that the fair value of the option is still at $nil as at November 30, 2017.

(d) Mineral properties expense

The following table summarizes mineral properties expense for the years ended November 30, 2017, 2016 and 2015 and includes expenditures funded by South32, as applicable.

In thousands of dollars

	2017 $	2016 $	2015 $
Alaska, USA			
Community	318	299	126
Drilling	5,074	712	698
Engineering	1,840	699	441
Environmental	299	314	88
Geochemistry and geophysics	357	82	70
Land and permitting	795	426	421
Other income	(25)	(34)	(209)
Project support	3,836	1,254	1,411
Wages and benefits	2,606	1,285	1,122
Mineral property expense	**15,100**	**5,037**	**4,167**

Mineral property expenses consist of direct drilling, personnel, community, resource reporting and other exploration expenses as outlined above, as well as indirect project support expenses such as fixed wing charters, helicopter support, fuel, and other camp operation costs. Cumulative mineral properties expense in Alaska from the initial earn-in agreement on the property in 2004 to November 30, 2017 is $78.1 million and cumulative acquisition costs are $30.6 million totaling $108.7 million spent to date.

6 Accounts payable and accrued liabilities

in thousands of dollars

	November 30, 2017 $	November 30, 2016 $
Trade accounts payable	2,767	160
Accrued liabilities	1,293	281
Accrued salaries and vacation	189	152
Accounts payable and accrued liabilities	**4,249**	**593**

7 Sale of Sunward Investments Ltd

On September 1, 2016, Trilogy completed the sale of all of the issued and outstanding shares of Sunward Investments to GMI for consideration of 5,000,000 common shares of GMI valued at $7.8 million and 1,000,000 warrants, with each warrant exercisable into one common share of GMI for a period of two years at an exercise price of CDN$3.50, valued at $0.3 million, for total consideration of $8.1 million. Sunward Investments, through a subsidiary, owned 100% of the Titiribi gold-copper exploration project. Trilogy acquired Sunward Investments and the Titiribi project as part of its acquisition of Sunward in a business combination which closed on June 19, 2015 (note 8).

The Company recognized a gain on the sale of Sunward Investments of $4.4 million as of September 1, 2016 as outlined below.

in thousands of dollars

	$
Consideration received	8,102
Cash reimbursement from GMI	51
Net assets sold	(3,545)
Transaction costs	(160)
Gain on sale of Sunward Investments	**4,448**

The fair value of the common shares received was determined based on the closing price of GMI of $1.56 (CDN$2.04) at the date of completion.

The common shares and warrants received have been designated as held-for-trading financial assets (note 3).

Following the announcement, the Company classified the operations of Sunward Investments as discontinued operations, retrospectively. The following expenses comprise the discontinued operations of Sunward Investments and substantially the entire Colombian segment of the Company for the periods of ownership noted.

in thousands of dollars

	December 1, 2015 - September 1, 2016 $	June 19, 2015 – November 30, 2015 $
Amortization	95	63
Foreign exchange loss	4	23
General and administrative	5	3
Mineral properties expense	460	309
Professional fees	34	-
Discontinued operations expense for the year	598	398
Gain on sale of Sunward Investments Ltd.	(4,448)	-
(Income)/loss from discontinued operations for the year	**(3,850)**	**398**

8 Acquisition of Sunward Resources Ltd.

On June 19, 2015, the Company closed a definitive agreement to acquire all of the issued and outstanding common shares of Sunward, by way of a court-approved plan of arrangement (the “Sunward Arrangement”). Under the terms of the

Sunward Arrangement, Sunward shareholders received 0.3 of a Trilogy common share for each Sunward common share held. On June 19, 2015, the Company issued 43,116,312 common shares of Trilogy ("Common Shares") to Sunward shareholders and holders of Sunward deferred share units pursuant to the Sunward Arrangement. Each Sunward stock option outstanding was exchanged for a fully-vested option ("Sunward Arrangement Option") to purchase Trilogy Common Shares for a period of 90 days, with the number of shares issuable and exercise price adjusted based on an exchange ratio of 0.3 Trilogy options for each of Sunward's 8,350,000 options outstanding immediately prior to completion of the arrangement. As a result, 2,505,000 Sunward Arrangement Options were exchanged for the Sunward options and all have subsequently been exercised or expired. Consideration transferred to consummate the Sunward Arrangement comprised of the issuance of 43,116,312 Common Shares valued at $22.9 million and 2,505,000 Sunward Arrangement options valued at $0.1 million. The value of the Common Shares issued was calculated based on the closing price of Trilogy Common Shares on June 18, 2015 of $0.53, the date of last trading prior to the closing of the acquisition. The fair value of the Sunward Arrangement Options was determined using the Black-Scholes option pricing model.

Assumptions used in the pricing model in the measurement of the fair value of the Sunward Arrangement Options are as follows:

Risk-free interest rates	0.62%
Exercise price	CDN$0.54-6.27
Expected life	0.245 years
Expected forfeiture rate	0%
Expected volatility	50.2%
Expected dividends	Nil

This acquisition was accounted for as a business combination under ASC 805. The Company incurred $0.8 million in acquisition costs related to the Sunward Arrangement which are included in professional fees on the consolidated statement of loss and comprehensive loss for the year ended November 30, 2015.

The following summarizes the consideration and the fair value of assets acquired and liabilities assumed as of the date of acquisition:

in thousands of dollars

Consideration:	**$**
Common shares issued (43,116,312 at $0.53 per share)	22,851
Sunward Arrangement Options	108
Total consideration	**22,959**
Fair value of net assets acquired:	
Cash	19,399
Accounts receivable	19
Deposits and prepaid amounts	104
Plant and equipment	343
Mineral properties and developments costs	3,264
Accounts payable and accrued liabilities	(170)
Net Assets	**22,959**

The consolidated financial statements included herein reflect the results of operations of Sunward since the June 19, 2015 acquisition date. Following the announcement of the sale of Sunward Investments outlined in note 7, the operations were classified as discontinued operations.

9 Share capital

Authorized:
unlimited common shares, no par value

in thousands of dollars, except share amounts

	Number of shares	Ascribed value $
November 30, 2014	**60,296,365**	**111,833**
Issued pursuant to the Sunward Arrangement	43,116,312	22,851
Exercise of options	7,499	7
Exercise of Sunward Arrangement Options	347,999	177
Restricted Share Units	795,368	819
Deferred Share Units	232,878	353
November 30, 2015	**104,796,421**	**136,040**
Exercise of options	162,854	65
Restricted Share Units	108,399	34
Deferred Share Units	218,795	218
November 30, 2016	**105,286,469**	**136,357**
Exercise of options	188,856	85
Restricted Share Units	209,198	83
November 30, 2017, issued and outstanding	**105,684,523**	**136,525**

On April 30, 2012, under the NovaGold Arrangement, Trilogy committed to issue common shares to satisfy holders of NovaGold deferred share units ("NovaGold DSUs"), once vested, on record as of the close of business April 27, 2012. When vested, Trilogy committed to deliver one Common Share to the holder for every six shares of NovaGold the holder is entitled to receive, rounded down to the nearest whole number. As of November 30, 2017, 20,685 NovaGold DSUs remain outstanding representing a right to receive 3,447 Common Shares in Trilogy, which will settle upon certain directors retiring from NovaGold's board.

Refer to note 8 for a description of Common Shares issued pursuant to the Sunward Arrangement. All Sunward Arrangement Options have been exercised or expired.

(a) Stock options

The Company has a stock option plan providing for the issuance of options with a rolling maximum number equal to 10% of the issued and outstanding Common Shares at any given time. The Company may grant options to its directors, officers, employees and service providers. The exercise price of each option cannot be lower than the greater of market price or fair market value of the Common Shares (as such terms are defined in the plan) at the date of the option grant. The number of Common Shares optioned to any single optionee may not exceed 10% of the issued and outstanding Common Shares at the date of grant. The options are exercisable for a maximum of five years from the date of grant, and may be subject to vesting provisions.

During the year ended November 30, 2017, 1,695,000 options (2016 – 1,785,000 options) at a weighted-average exercise price of CDN$0.69 (2016 - CDN$0.43) were granted to employees, consultants and directors exercisable for a period of five years with various vesting terms from immediate vesting to over a two year period. The weighted-average fair value attributable to options granted in 2017 was $0.22 (2016 - $0.13).

The fair value of the stock options recognized in the period has been estimated using the Black-Scholes option pricing model.

Assumptions used in the pricing model for the period are as provided below.

	November 30, 2017	November 30, 2016	November 30, 2015
Risk-free interest rates	0.90%	0.52%	0.42-1.12%
Exercise price	CDN$0.69	CDN$0.43	CDN$0.55
Expected life	3.0 years	3.0 years	3.0 years
Expected volatility	74.2%	59.4%	56.8-59.5%
Expected dividends	Nil	Nil	Nil

The Company recognized a stock option payment charge of $0.4 million for the year ended November 30, 2017 (2016 - $0.4 million; 2015 - $0.7 million), net of forfeitures.

As of November 30, 2017, there were 993,342 non-vested options outstanding with a weighted average exercise price of CDN$0.65; the non-vested stock option expense not yet recognized was $0.05 million. This expense is expected to be recognized over the next two years.

A summary of the Company's stock option plan and changes during the year ended is as follows:

		November 30, 2017
	Number of options	Weighted average exercise price $
Balance – beginning of year	6,049,433	0.50
Granted	1,695,000	0.55
Exercised	(447,604)	0.46
Forfeited	(169,329)	0.49
Balance – end of year	**7,127,500**	**0.54**

The following table summarizes information about the stock options outstanding at November 30, 2017.

			Outstanding		Exercisable	Unvested
Range of price	Number of outstanding options	Weighted average years to expiry	Weighted average exercise price $	Number of exercisable options	Weighted average exercise price $	Number of unvested options
$0.33 to $0.50	4,242,500	2.70	0.40	3,975,831	0.41	266,669
$0.51 to $1.00	2,830,000	3.08	0.72	2,103,327	0.78	726,673
$1.01 to $1.54	55,000	0.42	1.54	55,000	1.54	-
	7,127,500	**2.84**	**0.54**	**6,134,158**	**0.54**	**993,342**

The aggregate intrinsic value of vested share options (the market value less the exercise price) at November 30, 2017 was $1.8 million (2016 - $0.6 million, 2015 - $nil) and the aggregate intrinsic value of exercised options in 2017 was $0.2 million (2016 - $0.1 million, 2015 - $nil).

(b) NovaGold Arrangement Options

Under the NovaGold Arrangement, holders of NovaGold stock options received one option in Trilogy for every six options held in NovaGold ("NovaGold Arrangement Options"). All remaining NovaGold Arrangement Options expired unexercised during fiscal 2017.

A summary of the NovaGold Arrangement Options and changes during the year ended November 30, 2017 is as follows:

	November 30, 2017	
	Number of options	Weighted average exercise price $
Balance – beginning of year	312,195	4.28
Expired	(312,195)	4.28
Balance – end of year	-	-

(c) Restricted Share Units and Deferred Share Units

The Company has a Restricted Share Unit Plan ("RSU Plan") and a Non-Executive Director Deferred Share Unit Plan ("DSU Plan") to provide long-term incentives to employees, officers and directors. The RSU Plan and DSU Plan may be settled in cash and/or Common Shares at the Company's election with each RSU and DSU entitling the holder to receive one common share of the Company or equivalent value. All units are accounted for as equity-settled awards.

On December 15, 2016, 600,000 RSUs were granted to officers vesting over a two year period. 115,841 DSUs were granted to directors throughout the year ended November 30, 2017 based on their election to receive 50% of their annual retainer in DSUs.

A summary of the Company's unit plans and changes during the year ended is as follows:

	Number of RSUs	Number of DSUs
Balance – beginning of year	400,001	925,390
Granted	600,000	115,841
Vested/paid	(399,999)	-
Balance – end of year	**600,002**	**1,041,231**

For the year ended November 30, 2017, Trilogy recognized a stock-based compensation charge of $0.4 million (2016 - $0.3 million, 2015 - $0.1 million), net of forfeitures for RSUs and DSUs.

(d) Share Purchase Warrants

A summary of the Company's warrants and changes during the year ended November 30, 2017 is as follows:

	Number of Warrants	Weighted average years to expiry	Weighted average exercise price $
Balance – beginning of year	6,521,740	2.60	1.60
Balance – end of year	**6,521,740**	**1.60**	**1.60**

10 Management of capital risk

The Company relies upon management to manage capital in order to accomplish the objectives of safeguarding the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and maintain a capital structure which optimizes the costs of capital at an acceptable risk. The Company's current capital consists of equity funding through capital markets, project funding by South32, cash acquired from the Sunward Arrangement, and the sale of investments.

As the Company is currently in the exploration phase none of its financial instruments are exposed to commodity price risk; however, the Company's ability to obtain long-term financing and its economic viability may be affected by commodity price volatility. The Company will need to raise additional funds to support its operations and administration expenses.

Future sources of liquidity may include sales of investments, equity financing, debt financing, convertible debt, or other means.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

11 Financial instruments

The Company is exposed to a variety of risks arising from financial instruments. These risks and management's objectives, policies and procedures for managing these risks are disclosed as follows.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, investments, and accounts payable and accrued liabilities. The fair value of the Company's financial instruments approximates their carrying value due to the short-term nature of their maturity. The Company's 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. The Company's 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.

Financial risk management

The Company's activities expose them to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

(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, 2017 is limited the Canadian dollar balances consisting of cash of CDN$2,454,000, accounts receivable of CDN$513,000, deposit amounts of CDN$116,000, investments of CDN$3,242,000 and accounts payable of CDN$1,275,000. 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 $356,000.

(b) Credit risk

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

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties raising funds to meet its financial obligations as they fall due. The Company is in the exploration stage and does not have cash inflows from operations; therefore, the Company manages liquidity risk through the management of its capital structure and financial leverage. Management does expect to monetize its investments held over the next year to assist in meeting its operational requirements. Future sources of liquidity may include the sale of investments, equity financing, receipt of project funding from S32, debt financing, convertible debt, or other means.

Contractually obligated cash flow requirements as at November 30, 2017 are as follows.

in thousands of dollars

	Total $	< 1 Year $	1–2 Years $	2–5 Years $	Thereafter $
Accounts payable and accrued liabilities	4,249	4,249	-	-	-
Office lease (note 12)	1,272	173	179	587	333
	5,521	**4,422**	**179**	**587**	**333**

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.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk with respect to interest earned on cash and cash equivalents. Based on balances as at November 30, 2017, a 1% change in interest rates would result in a change in net loss of $0.1 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.

Fair value accounting

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement. The three levels of the fair value hierarchy are as follows:

> *Level 1* — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
> *Level 2* — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
> *Level 3* — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity)

The levels in the fair value hierarchy into which the Company's financial assets and liabilities that are measured and recognized at fair value on a recurring basis were categorized as follows:

in thousands of dollars

	November 30, 2017 $			November 30, 2016 $		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Investments – shares	2,514	-	-	7,538	-	-
Investments – warrants	-	-	2	-	-	297

The Company's investments consist of shares and warrants in a publicly-held mining company. The share investments are valued using quoted market prices in active markets and as such are classified as a Level 1 financial instrument. The warrants are valued using a Black-Scholes pricing model and are considered a Level 3 financial instrument because the valuation models have significant unobservable inputs.

12 Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before income taxes. These differences result from the following items:

in thousands of dollars

	November 30, 2017 $	November 30, 2016 $	November 30, 2015 $
Combined federal and provincial statutory tax rate	26.00%	26.00%	26.00%
Income taxes at statutory rate	(5,486)	(1,264)	(2,479)
Difference in foreign tax rates	(2,267)	(750)	(680)
Effect of foreign exchange changes	-	(339)	2,264
Non-taxable gain on the sale of Sunward Investments	-	(545)	-
Non-deductible expenditures	4,664	175	239
Return to provision adjustments	(72)	(510)	(102)
Other	(357)	(68)	-
Disposition of Sunward Investments	-	7,051	-
Valuation allowance	3,518	(3,750)	758
Income tax expense	**-**	**-**	**-**

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred income tax assets and liabilities at November 30, 2017 and 2016 are as follows:

in thousands of dollars

	November 30, 2017 $	November 30, 2016 $
Deferred income tax assets		
Non-capital losses	61,400	58,204
Mineral property interest	14,625	14,491
Deferred interest	9,040	9,040
Property, plant and equipment	57	47
Share issuance costs	127	126
Capital Loss	60	-
Investments	201	-
Other deductible temporary differences	353	450
Total deferred tax assets	85,863	82,358
Valuation allowance	(85,862)	(82,344)
Net deferred income tax assets	**1**	**14**
Deferred income tax liabilities		
Mineral property interest	-	-
Other taxable temporary differences	(1)	(14)
Deferred income tax liabilities	**(1)**	**(14)**
Net deferred income tax assets	**-**	**-**

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("Act") was passed into law. The new legislation decreases the corporate federal income tax rate from 35% to 21% effective January 1, 2018. Since the Company has a November 30 fiscal year end, the US entity will have a blended tax rate of 22.2% for the November 30, 2018 fiscal year and 21% thereafter. The impact of the rate change to the deferred tax assets and liabilities will be recognized in the November 30, 2018 fiscal year.

We estimate a reduction in our available future tax benefit of $23.5 million primarily due to the re-measurement of our net deferred tax assets and liabilities which are fully offset by a valuation allowance. This estimate is based on the Company's initial analysis of the Act. Given the significant complexity of the Act, anticipated guidance from the Internal Revenue Service about implementing the Act, and the potential for additional guidance from the Securities and Exchange Commission or the Financial Accounting Standards Board related to the Act, this estimate may be adjusted in future periods.

The Company has loss carry-forwards of approximately $160.9 million that may be available for tax purposes. Certain of these losses occurred prior to the incorporation of the Company and are accounted for in the financial statements as if they were incurred by the Company. Prior to the NovaGold Arrangement, the Company undertook a tax reorganization in order to preserve the future deductibility of these losses for the Company, subject to the limitations below. Deferred tax assets have been recognized to the extent of future taxable income and the future taxable amounts related to taxable temporary differences for which a deferred tax liability is recognized can be offset. A valuation allowance has been provided against deferred income tax assets where it is not more likely than not that the Company will realize those benefits.

The losses expire as follows in the following jurisdictions:

in thousands of dollars

	Non-capital losses Canada $	Operating losses United States $
2018	-	4,206
2019	-	975
2020	-	830
2021	-	1
Thereafter	33,570	121,295
	33,570	**127,307**

Future use of U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon the Company attaining profitable operations. An ownership change under Section 382 occurred on January 22, 2009 regarding losses incurred by AGC, of which the attributes of those losses were transferred to Trilogy Metals US with the purchase of the mineral property in October 2011. Therefore, approximately $39.4 million of the U.S. losses above are subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited.

An additional change in control may have occurred after November 30, 2011 which may further limit the availability of losses prior to the date of change in control.

On June 19, 2015, we completed the Sunward acquisition which resulted in an acquisition of control of Sunward Resources ULC under of the Income Tax Act in Canada. Therefore, the Company's ability to use approximately $15.2 million of losses in Canada may be limited.

13 Commitment

The Company has commitments in respect of an office lease requiring future minimum lease payments as follows:

in thousands of dollars

	November 30, 2017 $
2018	173
2019	179
2020	188
2021	197
Thereafter	535
Total	**1,272**

14 Subsequent events

On December 7, 2017, 525,000 stock options were granted to directors vesting immediately and 1,455,000 stock options were granted to employees vesting equally in thirds on the grant date, the first anniversary of the grant date, and the second anniversary of the grant date. Also on December 7, 2017, 300,000 RSUs were granted to officers vesting immediately, and 300,000 RSUs were granted to officers vesting equally in thirds on the grant date, the first anniversary of the grant, and the second anniversary of the grant.

On December 22, 2017, 75,000 DSUs and 75,000 stock options vesting immediately were granted to a new director.

On January 2, 2018, 70,000 stock options were granted to an employee vesting equally on the six month anniversary of the grant date and the first anniversary of the grant.

RSUs vesting in December were settled on December 27, 2017 through the issuance of 800,000 Common Shares.

Through December 2017 and January 2018, the Company received proceeds of C$1.4 million from the sale of investments.

On January 24, 2018, the Company received payment from South32 completing receipt of the second tranche under the Option Agreement of $10 million and maintaining the Option Agreement in good standing.