



Trilogy Metals Inc.

Management's Discussion & Analysis
For the Fourth Quarter and Year Ended November 30, 2020
(expressed in US dollars)

General

This Management's Discussion and Analysis ("MD&A") of Trilogy Metals Inc. ("Trilogy", "the Company", "us" or "we") is dated February 11, 2021 and provides an analysis of our audited financial results for the year ended November 30, 2020 compared to the years ended November 30, 2019 and November 30, 2018.

The following information should be read in conjunction with our November 30, 2020 audited consolidated financial statements and related notes which were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). A summary of the U.S. GAAP accounting policies is outlined in note 2 of the audited consolidated financial statements. All amounts are in United States dollars unless otherwise stated. References to "Canadian dollars" and "C\$" and "CDN\$" are to the currency of Canada and references to "U.S. dollars", "\$" or "US\$" are to the currency of the United States.

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

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

Description of business

We are a base metals exploration company focused on the exploration and development of mineral properties, through our equity investee, 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") were contributed into a 50/50 joint venture named Ambler Metals LLC ("Ambler Metals") between Trilogy and South32 Limited ("South32") on February 11, 2020 (see below). The projects contributed to Ambler Metals consist of: i) the 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 hosts the Bornite carbonate-hosted copper project (the "Bornite Project") and related assets.

Property review

The UKMP Projects are held by our equity investee, Ambler Metals of which Trilogy holds a 50% interest. The projects are located in the Ambler mining district in Northwest Alaska. The UKMP Projects comprise approximately 426,690 acres (172,675 hectares) consisting of the Ambler and Bornite lands.

Arctic Project

The Ambler lands, which host a number of deposits, including the high-grade copper-zinc-lead-gold-silver Arctic Project, and other mineralized occurrences within a 100-kilometer-long volcanogenic massive sulfide ("VMS") belt. The Ambler lands are located in Northwestern Alaska and consist of 185,805 acres (75,192 hectares) of Federal patented mining claims which hosts the Arctic deposit and State of Alaska mining claims which we are actively exploring, within which VMS mineralization has been found.

Prior to the formation of the Joint Venture on February 11, 2020, we had 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 (as amended, the "NANA Agreement"), we

acquired, in exchange for, among other things, a \$4.0 million cash payment to NANA, the exclusive right to explore the Bornite property and lands deeded to NANA through the Alaska Native Claims Settlement Act (“ANCSA”), located adjacent to the Arctic Project, and the non-exclusive right to access and entry onto NANA’s lands. The NANA 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.

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.

Prior to the formation of the Joint Venture on February 11, 2020, we had accounted for the Bornite property as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies.

Corporate developments

Appointment of CEO

Tony Giardini was appointed as President and CEO of the Company effective June 1, 2020. Mr. Giardini has been a director of the Company since 2012 and will continue to be an executive director. Mr. Giardini has extensive experience as an executive officer and key leadership team member with his previous roles as President of Ivanhoe Mines Ltd. (“Ivanhoe”), a base metals development and exploration company, and as Chief Financial Officer at Kinross Gold Corporation, a senior gold producer. Mr. Giardini has extensive experience with joint ventures and large capital projects, including Ivanhoe’s three large development assets, Platreef, Kipushi and Kamao-Kakula.

Joint venture

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, which agreement was later assigned by South32 Operations Pty Ltd. to its affiliate, South32 USA Exploration Inc. on the UKMP (“Option Agreement”). Under the terms of the Option Agreement, as amended, Trilogy Metals US granted South32 the right to form a 50/50 joint venture to hold all of Trilogy Metals US’ Alaskan assets. South32 exercised its option on December 19, 2019.

Formation of joint venture

On February 11, 2020, Trilogy completed the formation of the 50/50 joint venture with South32. Trilogy contributed all its assets associated with the 172,675-hectare UKMP, including the Arctic and Bornite Projects, while South32 contributed a subscription price of US\$145 million (the “Subscription Price”), resulting in each party owning a 50% interest in Ambler Metals. The Subscription Price will be used to advance the Arctic and Bornite Projects, along with exploration in the Ambler mining district. With Ambler Metals being well funded, with access to \$145 million, Trilogy does not expect to fund programs and budgets to advance the UKMP until the Subscription Price is spent by Ambler Metals. To assist Ambler Metals during the initial set up phase, Trilogy was paying all of Ambler Metals’ invoices and being reimbursed pursuant to a services agreement (the “Services Agreement”) between Trilogy and Ambler Metals until

the back office is fully transitioned to a new permanent team employed by the Joint Venture. The Services Agreement ended on December 31, 2020.

To ensure a successful startup of the Joint Venture, management from Trilogy and South32 took on interim management roles. Darryl Steane, South32's Business Development Manager assumed the duties as Interim President of Ambler Metals; Elaine Sanders, Trilogy's Chief Financial Officer assumed the duties as Interim Vice President Finance of Ambler Metals; and Robert (Bob) Jacko, Trilogy's Senior Vice President Operations assumed the duties as Interim Vice President Operations of Ambler Metals. Prior to the end of the year, the permanent management team at Ambler Metals was hired and are all now based in Alaska. The joint venture company is led by President and Chief Executive Officer, Ramzi Fawaz, Vice President Operations, Kevin Torpy and Vice President Finance, Rebecca Donald. In addition to the appointment of the leadership team at Ambler Metals, the Trilogy technical team has transitioned over to the joint venture entity.

Ambler Metals is an independently operated company, jointly controlled by Trilogy and South32 through a four-member board of which two members are currently appointed by Trilogy based on its 50% equity interest. All significant decisions related to the UKMP require the approval of both companies. We determined that Ambler Metals is a variable interest entity, or VIE, because it is expected to need additional funding from its owners for its significant activities. However, we concluded that we are not the primary beneficiary of Ambler Metals as the power to direct its activities, through its board, is shared under the limited liability company agreement. As we have significant influence over Ambler Metals through our representation on its board, we use the equity method of accounting for our investment in Ambler Metals. Our investment in Ambler Metals was initially measured at its fair value of \$176 million upon recognition. Our maximum exposure to loss in this entity is limited to the carrying amount of our investment in Ambler Metals, which, as of November 30, 2020, totaled \$173 million as well as approximately \$114,000 of amounts receivable per the Services Agreement. The amounts receivable as at November 30, 2020 was subsequently collected.

During the year ended November 31, 2020, Ambler Metals loaned \$57.5 million back to South32 and retained \$87.5 million of the \$146 million contributed by South32. The loan has a 7-year maturity date, but we anticipate that Ambler Metals will begin to draw down on the loan with cash calls to South32 before the end of 2021 to fund South32's 50% share of the 2021 budget. The loan is secured by South32's membership interest in Ambler Metals and guaranteed by South32 International Investment Holdings Pty Ltd.

Project activities

2020 Program and Budget

In a press release dated February 26, 2020, the Company announced that Ambler Metals had approved a 2020 budget of \$22.8 million for the advancement of the UKMP Projects. The budget was to be 100% funded by Ambler Metals. The 2020 program budget included 10,000 meters of drilling at the Arctic Project, 2,500 meters of drilling within the Ambler VMS belt and geological mapping and geochemical soil sampling at the Bornite Project. Prior to the start of the field season, we and our joint venture partner, South32 decided not to proceed with the 2020 exploration program after assessing the current novel coronavirus (COVID-19) environment. The Company and South32 gave due consideration to the merits of carrying out an abridged work program at the UKMP. However, given the continued uncertainty resulting from COVID-19, ongoing safety concerns (despite added safety protocols including physical distancing, protective equipment and testing) and the fact that, due to COVID-19, the planned field season had already been delayed to the point at which any field season would provide limited critical path benefits, the decision was made not to proceed with a 2020 field season.

Arctic Project

In a press release dated August 20, 2020, the Company announced the results of its feasibility study for the Arctic Project (the "Arctic FS"). The Arctic FS was prepared on a 100% ownership basis, of which Trilogy's share is 50%. The Arctic FS

describes the technical and economic viability of establishing a conventional open-pit copper-zinc-lead-silver-gold mine and mill complex for a 10,000 tonne per day operation for a minimum 12-year mine life.

On October 2, 2020, we filed the technical report for the Company's Arctic Project entitled "Arctic Feasibility Study Alaska, USA NI 43-101 Technical Report" with an effective date of August 20, 2020, prepared by Ausenco Engineering Canada Inc., Wood Canada Limited and SRK Consulting (Canada) Inc. (the "2020 Arctic Report"). The 2020 Arctic report describes the Arctic FS as discussed above. The 2020 Arctic Report supersedes the Company's 2018 technical report for the Arctic Project.

Ambler Mining District Industrial Access Project ("AMDIAP" or "Ambler Road Project")

On March 27, 2020, the BLM, the lead federal agency for the permitting of the AMDIAP, released the Final Environmental Impact Statement ("EIS") for the AMDIAP. This follows on the Draft EIS completed on August 23, 2019.

On July 23, 2020, the BLM issued the Joint Record of Decision ("JROD") for the Ambler Road Project. The JROD approves the development of the northern or "A" route which is to be a 211-mile-long gravel private access road in the southern Brooks Range foothills to provide industrial access to the Ambler Mining District. Along with the JROD, a Section 404 Permit, which is governed by the Clean Water Act ("CWA"), was issued by the United States Army Corp. of Engineers ("USACE") to AIDEA.

Subsequent to the issuance of the JROD, a coalition of national and Alaska environmental non-government organizations ("ENGO") have filed a lawsuit against the federal agencies responsible for issuing the JROD. The ENGO's main position is that due process was not carried out during the permitting of the AMDIAP. Subsequently, AIDEA and Ambler Metals have filed for and received intervenor status in the lawsuit and will be defending the issuance of the JROD and the permits.

On January 6, 2021, BLM, NPS and AIDEA signed Right-of-Way agreements giving AIDEA the ability to cross federally owned and managed lands along the route for the Ambler Road Project approved in the JROD. The authorizing documents with the two agencies are the final federal permits required for the Ambler Road Project.

Ambler Metals is continuing discussions with AIDEA on securing a predevelopment funding agreement for the detailed engineering work for the Ambler Road Project.

Outlook

On November 19, 2020, the Company announced the approval of the 2021 program and budget for Ambler Metals of approximately \$27 million to advance the UKMP. The budget is fully funded by Ambler Metals. Activities planned at the Arctic Project include 7,600 meters of drilling which will have the dual purpose of extracting additional material for metallurgical work and for the conversion of mineral resources into the measured category. The metallurgical program that is associated with this drilling will support variability test work and pilot plant work which will commence later in 2021. Engineering work will continue at Arctic with the aim of submitting the application for the Notice of Intent for the 404 Dredge and Fill Permit, which is covered by the Clean Water Act, to the United States Army Corps of Engineers. The Company currently anticipates Ambler Metals will submit the permit applications during the second half of 2021.

Following up from the 2019 work performed along the 70-mile (100 kilometer) Ambler VMS belt, Ambler Metals will continue exploration efforts along the belt to discover and define additional deposits that may provide feed to a future Arctic mill. Ambler Metals plans to conduct a 7,000-meter regional exploration drill campaign at the Sunshine prospect and at other drill-ready targets. The drill program is expected to commence in early summer and finish before the end of September. The drilling may be preceded by detailed geologic mapping, geochemical soil sampling and ground geophysics.

The Company has approved a 2021 cash budget for corporate activities of approximately \$5.3 million. The corporate budget consists of personnel and related costs of \$2.0 million, professional fees of \$1.1 million, investor relations and

marketing costs of \$0.6 million, office related costs of \$0.5 million, insurance costs of \$0.4 million and regulatory costs of \$0.3 million. The Company's management team is focused on the oversight of our investment in Ambler Metals and will closely work with Ambler Metals as it starts its first field season as a new team and prepares to submit the permit applications for the Arctic Project during the second half of the year. The Company's technical staff will work closely with South32's technical team and Ambler Metals exploration staff to review opportunities on advancing its known deposits and look at potential new targets in the large land package that is held by Ambler Metals. The Company plans to participate in investor meetings and conferences virtually and online for most of the year and has therefore reduced its travel budget for 2021 from previous years. A significant amount of uncertainty exists with the Company's annual renewal of its insurance policies and costs are currently unpredictable. Insurance premiums may differ significantly from our budget. The Company has sufficient cash on hand to fund its corporate activities including any increases in insurance premiums upon renewal.

Summary of results

*in thousands of dollars,
except for per share amounts*

	Year ended November 30, 2020 \$	Year ended November 30, 2019 \$	Year ended November 30, 2018 \$
Selected expenses			
Mineral properties and feasibility study expenses	2,610	19,211	16,490
General and administrative	1,650	1,838	1,532
Professional fees	1,347	1,382	453
Salaries	1,411	1,314	1,467
Salaries – technical services	898	—	—
Salaries – stock-based compensation	3,564	3,845	1,441
Loss on held for trading investments	—	—	272
Gain on derecognition of assets contributed to joint venture	(175,770)	—	—
Equity in investee	2,855	—	—
Comprehensive earnings (loss) for the year	161,767	(27,905)	(21,849)
Basic earnings (loss) per common share	1.14	(0.21)	(0.18)
Diluted earnings (loss) per common share	1.12	(0.21)	(0.18)

For the year ended November 30, 2020, we reported a net earnings of \$161.8 million (or \$1.14 basic earnings and \$1.12 diluted earnings per common share) compared to a net loss in 2019 of \$27.9 million (or \$0.21 basic and diluted loss per common share) and a net loss of \$21.8 million in 2018 (or \$0.18 basic and diluted loss per common share). The 2020 movement to net earnings was primarily due to the \$175.8 million gain realized on the derecognition of assets contributed to the joint venture, offset by our 50% share of the joint venture's net operating loss and feasibility study charges incurred for the Arctic project subsequent to the formation of the joint venture. Mineral properties expense was eliminated after the contribution of mineral properties to the joint venture at the end of the first quarter of 2020. This resulted in a significant cost savings of \$17.7 million in relation to the prior year comparative. Going forward, all project related costs will be captured through our 50% equity recognition of the joint venture's operating loss. Adding to the variances in 2020 were incremental decreases in general and administrative expenses, professional fees and stock-based compensation offset by an increase in salaries. The increase in salaries resulted from the addition of management during the current year for which there is no prior year comparative. Pursuant to the Services Agreement, \$0.9 million of salaries and wages were incurred by the Company in support of the joint venture back office while Ambler set up its permanent team. Salaries were lower in the prior year due to the resignation of the CEO in the fourth quarter.

The 2019 movement in net loss was primarily due to the increased size and magnitude of the field programs undertaken at our mineral properties. Adding to this variance in 2019 were incremental increases in general and administrative expenses, professional fees and stock-based compensation offset by a slight decrease in salaries. Additionally, there were losses recognized on both the sale of investments as well as investments designated as held for trading in the prior year that did not exist in the fiscal 2019 year. We executed a \$18.2 million program at the UKMP in 2019, with \$9.2

million on the Bornite Project funded by South32 under the Option Agreement, \$2 million on a new regional exploration program funded 50/50 by Trilogy and South 32 and \$7 million on the Arctic Project funded entirely by Trilogy.

Fourth quarter results

During the fourth quarter of 2020, we incurred a loss of \$3.2 million compared to a loss of \$6.5 million in the fourth quarter of 2019. The primary drivers for the difference were as follows: a) \$3.8 million lower mineral property expenses as the prior year included project activity (field season was extended to October 2019) for which there are no comparatives in the current period as the mineral properties were contributed to the joint venture during the first quarter of 2020; b) \$0.4 million lower professional fees as the comparative includes additional legal fees for corporate matters as well as consulting fees for our former CEO; c) \$0.3 million lower stock-based compensation as the prior year included Restricted Share Units (“RSUs”) that vested during the fourth quarter; and d) a decrease of \$0.2 million in general and administrative expenses mostly due to travel cost savings due to COVID-19 restrictions. These cost savings were offset by a loss of \$1.0 million on the equity method investment for which there is no prior year comparative, Arctic feasibility study costs of \$0.1 million and an increase of \$0.3 million in salaries due to new hires to the management team in the fourth quarter 2020.

Selected financial data

Annual information

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

in thousands of dollars

	Year ended November 30, 2020 \$	Year ended November 30, 2019 \$	Year ended November 30, 2018 \$
Interest income	87	500	346
Services agreement income	929	—	—
Expenses	12,164	28,405	21,923
Gain (Loss) from continuing operations for the year	161,767	(27,905)	(21,849)
Gain (Loss) and comprehensive loss for the year	161,767	(27,905)	(21,849)
Total assets	185,265	51,617	54,659
Total liabilities	1,454	33,354	22,457

Quarterly information

*in thousands of dollars,
except per share amounts*

	Q4 2020 11/30/20 \$	Q3 2020 08/31/20 \$	Q2 2020 05/31/20 \$	Q1 2020 02/29/20 \$	Q4 2019 11/30/19 \$	Q3 2019 08/31/19 \$	Q2 2019 05/31/19 \$	Q1 2019 02/28/19 \$
Interest and other income	5	8	12	62	91	137	150	122
Mineral properties and feasibility study expenses	91	232	742	1,545	3,819	10,951	2,906	1,535
Share of loss on equity investment	1,022	1,094	561	178	—	—	—	—
Earnings (loss) for the period	(3,226)	(3,184)	(3,002)	171,179	(6,525)	(12,535)	(4,509)	(4,336)
Earnings (loss) per common share – basic	(0.04)	(0.02)	(0.02)	1.22	(0.05)	(0.09)	(0.04)	(0.03)
Earnings (loss) per common share – diluted	(0.01)	(0.01)	(0.02)	1.16	(0.05)	(0.09)	(0.04)	(0.03)

Factors that can cause fluctuations in our quarterly results include the length of the exploration field season at the properties, the type of program conducted, stock option vesting, and issuance of shares. Subsequent to the formation of the Joint Venture, project related costs may cause fluctuations in our quarterly results through our 50% share of the Joint Venture's net operating loss.

We realized a net earnings of \$171.2 million for the first quarter ended February 28, 2020, and comparatively incurred a net loss of \$4.3 million for the first quarter ended February 28, 2019. The difference of \$175.5 million is primarily due to the gain realized on transfer of assets to Ambler Metals, offset by the loss on equity method investment. Additionally, there was a decrease in stock-based compensation offset by higher professional fees incurred due to the formation of the joint venture and the implementation of the new lease accounting standard. General and administrative expenses were higher due primarily to an executive search for a new CEO in the first quarter of 2020.

Our net loss for the second quarter ended May 31, 2020 of \$3.0 million was \$1.5 million lower versus the comparative period. The difference was primarily due to the elimination of mineral property expenses upon the transfer of UKMP assets to the joint venture in the first quarter of 2020, offset by a \$0.6 million loss on equity method investment and \$0.7 million Arctic feasibility study costs incurred during the quarter.

Similarly, our net loss for the third quarter ended August 31, 2020 of \$3.2 million decreased by \$9.3 million from the comparative period. The decrease was primarily due to the elimination of \$11 million in mineral properties expenses due to the formation of the Joint Venture, for which there are no comparable expenses in the current period, offset by \$1 million in feasibility study costs during the third quarter of 2020.

Liquidity and capital resources

At November 30, 2020, we had \$11.1 million in cash and cash equivalents and working capital of \$10.4 million. We expended \$8.3 million on operating activities during the 2020 fiscal year compared with \$23.5 million for operating activities for the same period in 2019, and expenditures of \$22.1 million for operating activities for the same period in 2018. A majority of cash spent on operating activities during all periods was expended on mineral property expenses, general and administrative expenses, salaries and professional fees. Ambler assumed responsibility for project funding upon formation of the Joint Venture on February 11, 2020. This resulted in a decrease in cash spent during the year ended November 30, 2020, mainly due to decreased mineral property expenses of \$17.7 million offset by \$1.1 million on Arctic feasibility study costs. The Company continues to manage its cash expenditures through its working capital and management believes that the working capital available is sufficient to meet its operational requirements for the next two years.

During the year ended November 30, 2020, we received proceeds of \$0.2 million from directors and officers exercise of stock options. Comparatively, during the year ended November 30, 2019, we received proceeds of approximately \$9.9 million as a result of an exercise of 6,521,740 warrants and \$0.2 million from directors and officers exercise of stock options.

During the year ended November 30, 2020, we did not have any investing activities. During the year ended November 30, 2019, we raised \$9.6 million from investing activities. The investing proceeds consist of \$10.2 million raised through mineral property funding from South32 offset by outflows of \$0.6 million on the purchase of a new septic system for our remote exploration camp. During the year ended November 30, 2018, we raised \$12.7 million from investing activities. These investing proceeds consist of \$10.4 million of mineral property funding from South32 and \$2.3 million proceeds received from the disposition of shares classified as held for trading investment.

Contractual obligations

Contractual obligated undiscounted cash flow requirements as at November 30, 2020 are as follows.

In thousands of dollars

	Total \$	<1 Year \$	1–2 Years \$	2–5 Years \$	Thereafter \$
Accounts payable and accrued liabilities	888	888	—	—	—
Office lease	728	196	409	123	—
	1,616	1,084	409	123	—

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.

Off-balance sheet arrangements

We have no material off-balance sheet arrangements.

Outstanding share data

At February 11, 2021, we had 144,185,729 common shares issued and outstanding. At February 12, 2021, we had 11,951,650 stock options outstanding with a weighted-average exercise price of \$1.92 and 1,251,253 Deferred Share Units (“DSUs”) outstanding. We continue to hold 11,927 NovaGold Resources Inc. (“NovaGold”) DSUs for which the NovaGold director is entitled to receive one common share of Trilogy for every six NovaGold shares to be received upon their retirement from the NovaGold board. For additional information on NovaGold DSUs, please refer to note 9 in our November 30, 2020 audited consolidated financial statements. Upon the exercise of all the forgoing convertible securities, the Company would be required to issue an aggregate of 13,204,891 common shares.

Financial instruments

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

(a) Currency risk

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. The Company operates in the United States and Canada. The Company’s exposure to currency risk at November 30, 2020 is limited to Canadian dollar balances consisting of cash of CDN\$116,000, accounts receivable of CDN\$19,000 and certain trade payables and accrued personnel costs CDN\$843,000. 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 \$55,000.

(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 are for recoverable expenses. The Company’s exposure to credit risk is equal to the balance of cash and cash equivalents and accounts receivable as recorded in the financial statements.

(c) Liquidity risk

Liquidity risk is the risk that we will encounter difficulties raising funds to meet our financial obligations as they fall due. We are in the exploration stage and do not have cash inflows from operations; therefore, we manage liquidity risk through the management of our capital structure and financial leverage. Future sources of liquidity may arise from equity financing, debt financing, convertible debt, or other means. Our contractually obligated cash flow is disclosed under the section titled "Contractual Obligations."

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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, 2020, 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.

New accounting pronouncements

Certain recent accounting pronouncements have been included under note 2 in our November 30, 2020 audited consolidated financial statements.

Critical accounting estimates

The most critical accounting estimates upon which our financial status depends are those requiring estimates of the recoverability of our equity method investment in Ambler Metals LLC, income taxes and valuation of stock-based compensation.

Impairment of Investment in Ambler Metals LLC

Management assesses the possibility of impairment in the carrying value of its equity method investment in Ambler Metals LLC whenever events or circumstances indicate that the carrying amount of the investment may not be recoverable. Significant judgments are made in assessing the possibility of impairment. Factors that may be indicative of an impairment include a loss in the value of an investment that is not temporary. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, significant changes in the legal, business or regulatory environment, adverse changes in the use or physical condition of the underlying mineral properties asset, changes in the market interest rates or other market rates of return that are likely to significantly affect the discount rate used in the impairment assessment, significant adverse changes impacting the investee and internal reporting indicating the economic performance of an investment is, or will be, worse than expected.

These factors are subjective and require consideration at each period end. If an indicator of impairment is determined to exist, the fair value of the impaired investment is determined based on the valuation of cohort companies with similar projects or upon the present value of expected future cash flows using discount rates and other assumptions believed to be consistent with those used by principal market participants and observed market earnings multiples of comparable companies.

Management's estimates of mineral prices, mineral resources, foreign exchange rates and projected future production levels and operating capital are subject to risk and uncertainties that may affect the determination of the recoverability of the equity method investment.

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 US Exchange Act and the rules of Canadian Securities Administrators, as at November 30, 2020. Based on this evaluation, the CEO and CFO have concluded that the Company’s disclosure controls and procedures were effective as at November 30, 2020.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the U.S. Exchange Act and National Instrument 52-109 Certification of Disclosure in Issuer’s Annual and Interim filings. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management has used the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013) to evaluate the effectiveness of the Company’s internal control over financial reporting. Based on this assessment, management has concluded that as at November 30, 2020, the Company’s internal control over financial reporting was effective.

Risk factors

Trilogy and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of exploration of its mineral properties. Certain of these risks and uncertainties are under the heading “Risk Factors” under Trilogy’s Form 10-K dated February 12, 2021 available on SEDAR at www.sedar.com and EDGAR at www.sec.gov and on our website at www.trilogymetals.com.

Additional information

Additional information regarding the Company, including our annual report on Form 10-K, is available on SEDAR at www.sedar.com and EDGAR at www.sec.gov and on our website at www.trilogymetals.com.

Cautionary notes

Forward-looking statements

This Management's Discussion and Analysis contains "forward-looking information" and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable securities laws. These forward-looking statements may include statements regarding the Company's work programs and budgets; perceived merit of properties, exploration results and budgets, the Company and Ambler Metals's funding requirements, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, statements regarding Ambler Metals' plans and expectations relating to its Upper Kobuk Mineral Projects, sufficiency of the \$145 million subscription price to fund the UKMP; impact of COVID-19 on the Company's operations; market prices for precious and base metals; statements regarding the Ambler Road Project; 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 the beliefs, expectations and opinions of management on the date the statements are made, as well as on a number of material assumptions, which could prove to be significantly incorrect, including about:

- our ability to achieve production at the Upper Kobuk Mineral Projects;*
- the accuracy of our mineral resource and reserve estimates;*
- the results, costs and timing of future exploration drilling and engineering;*
- timing and receipt of approvals, consents and permits under applicable legislation;*
- the adequacy of our financial resources;*
- the receipt of third party contractual, regulatory and governmental approvals for the exploration, development, construction and production of our properties and any litigation or challenges to such approvals;*
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- continued good relationships with South32, our joint venture partner, as well as local communities and other stakeholders;*
- there being no significant disruptions affecting operations, whether relating to labor, supply, power damage to equipment or other matter;*
- expected trends and specific assumptions regarding metal prices and currency exchange rates;*

- *the potential impact of the novel coronavirus (COVID-19); and*
- *prices for and availability of fuel, electricity, parts and equipment and other key supplies remaining consistent with current levels.*

We have also assumed that no significant events will occur outside of our normal course of business. Although we have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. We believe that the assumptions inherent in the forward-looking statements are reasonable as of the date of this MD&A. However, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

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 COVID-19 pandemic;*
- *risks related to inability to define proven and probable reserves;*
- *risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- *uncertainty as to whether there will ever be production at the Company's mineral exploration and development properties;*
- *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 lack of infrastructure including but not limited to the risk whether or not the Ambler Mining District Industrial Access Project, or AMDIAP, will receive the requisite permits and, if it does, whether the Alaska Industrial Development and Export Authority will build the AMDIAP;*
- *risks related to inclement weather which may delay or hinder exploration activities at our mineral properties;*
- *risks related to our dependence on a third party for the development of our projects;*
- *none of the Company's mineral properties are in production or are under development;*
- *commodity price fluctuations;*
- *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;*
- *uncertainties relating to the assumptions underlying our resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*
- *uncertainty related to inferred mineral resources;*

- *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;*
- *risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;*
- *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 our control;*
- *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;*
- *risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;*
- *risks related to the acquisition and integration of operations or projects;*
- *our need to attract and retain qualified management and technical personnel;*
- *risks related to conflicts of interests of some of our directors and officers;*
- *risks related to potential future litigation;*
- *risks related to market events and general economic conditions;*
- *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 the voting power of our major shareholders and the impact that a sale by such shareholders may have on our share price;*
- *uncertainty as to the volatility in the price of the Company's common 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;*
- *risks related to global climate change;*
- *risks related to adverse publicity from non-governmental organizations;*
- *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, Canadian Securities Administrators, the NYSE American, the Toronto Stock Exchange, and the Financial Accounting Standards Boards, and more specifically, our efforts to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act;*

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the

Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in Trilogy's Form 10-K dated February 12, 2021, filed with the Canadian securities regulatory authorities and the SEC, and other information released by Trilogy and filed with the appropriate regulatory agencies.

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

Cautionary note to United States investors

Reserve and resource estimates

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