



**Trilogy Metals Inc.**

**Consolidated Financial Statements  
November 30, 2023, 2022 and 2021**  
(expressed in US dollars)

## 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, 2023. 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, 2023.

/s/ Tony Giardini

/s/ Elaine Sanders

Tony Giardini  
President, Chief Executive Officer & Director

Elaine Sanders  
Vice President & Chief Financial Officer

February 9, 2024

# Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Trilogy Metals Inc.

## Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Trilogy Metals Inc. and its subsidiaries (together, the Company) as of November 30, 2023 and 2022, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended November 30, 2023, including the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of November 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2023 in conformity with accounting principles generally accepted in the United States of America.

### *Substantial Doubt About the Company's Ability to Continue as a Going Concern*

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has no recurring source of operating cash inflows at its current stage and is dependent on its ability to obtain additional financing or to generate future operating cash inflows. These material uncertainties raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. 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, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting 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 included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit

matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Impairment indicator assessment of the Investment in Ambler Metals LLC*

As described in Notes 2 and 3 to the consolidated financial statements, the Company has an investment in Ambler Metals LLC (Ambler) accounted for using the equity method of accounting. As of November 30, 2023, the carrying amount of the Company's investment in Ambler was \$135.0 million. Management assesses impairment indicators whenever changes in facts and circumstances indicate there is an other than temporary loss in value of the investment. Management applies significant judgment in assessing whether facts and circumstances indicate an other than temporary loss in value has occurred that could give rise to the requirement to conduct an impairment test. Factors such as (i) an absence of the ability to recover the carrying amount of the investment, and (ii) whether there was a deterioration of market conditions are evaluated by management in determining whether there are any indicators of impairment.

The principal considerations for our determination that performing procedures relating to the impairment indicator assessment of the investment in Ambler is a critical audit matter are: the significant judgment by management when assessing whether indicators of impairment exist, specifically related to assessing: (i) an absence of the ability to recover the investment in Ambler, and (ii) a deterioration of market conditions. This in turn led to a high degree of auditor judgment and subjectivity in performing procedures to evaluate audit evidence relating to the significant judgments made by management in their assessment of indicators of impairment related to the investment in Ambler. The audit effort also involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, evaluating the reasonableness of management's assessment of impairment indicators related to the investment in Ambler, which included (i) with the assistance of professionals with specialized skill and knowledge evaluating whether there was an absence of the ability to recover the carrying amount of the investment by considering the implied in situ value of recent market transactions of comparable mineral properties, and (ii) evaluating whether there was a deterioration of market conditions and assessing the completeness of facts and circumstances that could be considered as impairment indicators of the Investment in Ambler by performing an audit of the financial statements of Ambler as of November 30, 2023. Performing an audit of the financial statements of Ambler as of November 30, 2023 included (i) evaluating whether there were significant adverse changes in the business climate including significant decreases in copper, zinc, and other metal prices, (ii) evaluating whether there were significant adverse changes in legal factors with respect to mineral property title matters, and (iii) evaluating whether there was an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of Ambler's mineral properties.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants  
Vancouver, Canada  
February 8, 2024

We have served as the Company's auditor since 2012.

**Trilogy Metals Inc.**  
**Consolidated Balance Sheets**  
**As at November 30, 2023 and 2022**

*in thousands of US dollars*

	<b>November 30, 2023</b>	<b>November 30, 2022</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	2,590	2,573
Accounts receivable	33	17
Deposits and prepaid amounts	259	320
<b>Total current assets</b>	<b>2,882</b>	<b>2,910</b>
Investment in Ambler Metals LLC (note 3)	135,021	142,754
Fixed assets	4	12
Right of use asset (note 5(a))	113	319
<b>Total assets</b>	<b>138,020</b>	<b>145,995</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 4)	432	345
Current portion of lease liability	33	189
<b>Total current liabilities</b>	<b>465</b>	<b>534</b>
Long-term portion of lease liability	—	33
<b>Total liabilities</b>	<b>465</b>	<b>567</b>
<b>Shareholders' equity</b>		
Share capital (note 8) – unlimited common shares authorized, no par value issued – 155,925,990 (2022 – 146,225,035)	187,886	182,178
Contributed surplus	118	122
Contributed surplus – options (note 6(b))	28,237	27,352
Contributed surplus – units (note 6(c))	3,127	2,638
Deficit	(81,813)	(66,862)
<b>Total shareholders' equity</b>	<b>137,555</b>	<b>145,428</b>
<b>Total liabilities and shareholders' equity</b>	<b>138,020</b>	<b>145,995</b>

**Commitments and contingencies** (note 10)

**Subsequent events** (note 11)

(See accompanying notes to the consolidated financial statements)

/s/Tony Giardini, President, CEO and Director

/s/ Diana Walters, 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*

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	\$	\$	\$
<b>Expenses</b>			
Amortization	8	17	21
Exploration expenses	43	47	143
Foreign exchange loss (gain)	5	(18)	36
General and administrative	1,328	1,287	1,517
Investor relations	130	183	602
Professional fees	1,073	998	818
Salaries	753	984	2,007
Salaries and directors expense – stock-based compensation	3,887	3,427	3,472
<b>Total expenses</b>	<b>7,227</b>	<b>6,925</b>	<b>8,616</b>
<b>Other items</b>			
Gain on disposition of mineral property	—	(84)	—
Interest and other income	(120)	(34)	(16)
Services agreement income	—	—	(22)
Share of loss on equity investment (note 3(b))	7,844	17,360	13,082
Write off mineral properties	—	90	—
<b>Loss and comprehensive loss for the year</b>	<b>(14,951)</b>	<b>(24,257)</b>	<b>(21,660)</b>
<b>Basic loss per common share</b>	<b>(0.10)</b>	<b>(0.17)</b>	<b>(0.15)</b>
<b>Diluted loss per common share</b>	<b>(0.10)</b>	<b>(0.17)</b>	<b>(0.15)</b>
<b>Basic weighted average number of common shares outstanding</b>	<b>152,647,254</b>	<b>145,721,736</b>	<b>144,428,926</b>
<b>Diluted weighted average number of common shares outstanding</b>	<b>152,647,254</b>	<b>145,721,736</b>	<b>144,428,926</b>

(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 \$	Contributed surplus \$	Contributed surplus – options \$	Contributed surplus – units \$	Deficit \$	Total shareholders' equity \$
<b>Balance – 2020</b>	<b>144,137,850</b>	<b>179,746</b>	<b>122</b>	<b>23,303</b>	<b>1,585</b>	<b>(20,945)</b>	<b>183,811</b>
Exercise of options	871,961	1,074	—	(658)	—	—	416
Stock-based compensation	—	—	—	3,345	127	—	3,472
Loss for the year	—	—	—	—	—	(21,660)	(21,660)
<b>Balance – 2021</b>	<b>145,009,811</b>	<b>180,820</b>	<b>122</b>	<b>25,990</b>	<b>1,712</b>	<b>(42,605)</b>	<b>166,039</b>
Exercise of options	81,674	76	—	(22)	—	—	54
Restricted share units	992,081	1,117	—	—	(1,117)	—	—
Joint venture contribution	31,469	51	—	—	—	—	51
Services settled by common shares	110,000	114	—	—	—	—	114
Stock-based compensation	—	—	—	1,384	2,043	—	3,427
Loss for the year	—	—	—	—	—	(24,257)	(24,257)
<b>Balance – 2022</b>	<b>146,225,035</b>	<b>182,178</b>	<b>122</b>	<b>27,352</b>	<b>2,638</b>	<b>(66,862)</b>	<b>145,428</b>
Private Placement, net of share issue cost	5,854,545	3,115	—	—	—	—	3,115
Restricted share units	3,091,614	1,911	—	—	(1,911)	—	—
Deferred share units	415,056	468	—	—	(468)	—	—
Joint venture contribution	143,505	111	—	—	—	—	111
Services settled by common shares	195,105	99	—	—	—	—	99
NovaGold DSU conversion	1,130	4	(4)	—	—	—	—
Stock-based compensation	—	—	—	885	2,868	—	3,753
Loss for the year	—	—	—	—	—	(14,951)	(14,951)
<b>Balance – 2023</b>	<b>155,925,990</b>	<b>187,886</b>	<b>118</b>	<b>28,237</b>	<b>3,127</b>	<b>(81,813)</b>	<b>137,555</b>

(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*

	<b>2023</b>	<b>2022</b>	<b>2021</b>
	\$	\$	\$
<b>Cash flows used in operating activities</b>			
Loss for the year	(14,951)	(24,257)	(21,660)
Adjustments to reconcile net loss to cash flows in operating activities			
Amortization	8	17	21
Unpaid interest earned	(23)	—	—
Consulting fees settled by common shares	116	114	—
Office lease accounting	17	(16)	(15)
Gain on disposal of mineral property	—	(84)	—
Loss on equity investment in Ambler Metals LLC (note 3(b))	7,844	17,360	13,082
Unrealized foreign exchange loss (gain)	5	(18)	10
Stock-based compensation	3,887	3,427	3,472
Write off mineral properties	—	90	—
Net change in non-cash working capital			
Decrease in accounts receivable	7	2	110
Decrease (Increase) in deposits and prepaid amounts	61	(64)	(101)
Decrease in accounts payable and accrued liabilities	(64)	(506)	(36)
<b>Total cash flows used in operating activities</b>	<b>(3,093)</b>	<b>(3,935)</b>	<b>(5,117)</b>
<b>Cash flows from financing activities</b>			
Issuance of common shares, net of share issue cost (note 6(a))	3,115	—	—
Proceeds from exercise of options	—	54	416
<b>Total cash flows from financing activities</b>	<b>3,115</b>	<b>54</b>	<b>416</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposition of mineral property	—	142	—
<b>Total cash flows from investing activities</b>	<b>—</b>	<b>142</b>	<b>(119)</b>
Increase (decrease) in cash	22	(3,739)	(4,820)
Effect of exchange rate on cash	(5)	4	3
Cash – beginning of the year	2,573	6,308	11,125
<b>Cash – end of the year</b>	<b>2,590</b>	<b>2,573</b>	<b>6,308</b>

(See accompanying notes to the consolidated financial statements)



# Trilogy Metals Inc.

## Notes to Consolidated Financial Statements

### 1) Nature of operations and Going Concern

Trilogy Metals Inc. (“Trilogy”, the “Company”, or “we”) was incorporated in British Columbia under the Business Corporations Act (BC) on April 27, 2011. The Company is engaged in the exploration and development of mineral properties, through our equity investee (note 3), 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” or “USA”). The Company also conducts early-stage exploration through a wholly owned subsidiary, 995 Exploration Inc.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for at least twelve months from the date of approval of these consolidated financial statements. As at November 30, 2023, the Company had a working capital of \$2.4 million (2022 - \$2.4 million) and an accumulated deficit of \$81.8 million (2022 - \$66.9 million). The Company recorded a loss of \$15.0 million and cash outflow from operations of \$3.1 million for the year ended November 30, 2023.

The continued operations of the Company are dependent on its ability to obtain additional financing or to generate future cash flows. The Company has no recurring source of operating cash inflows at its current stage. The Company intends to finance its future requirements through a combination of debt and equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favourable terms. These material uncertainties raise substantial doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### 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 subsidiaries, NovaCopper US Inc. (dba “Trilogy Metals US”) and 995 Exploration Inc. All intercompany transactions are eliminated on consolidation. For variable interest entities (“VIEs”) where Trilogy is not the primary beneficiary, we use the equity method of accounting.

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 8, 2024.

#### Cash and cash equivalents

Cash and cash equivalents consist of bank deposits and term deposits that are readily convertible into a known amount of cash.

#### Investment in affiliates

Investments in unconsolidated ventures over which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method and include the Company’s investment in the Ambler Metals project. We identified Ambler Metals LLC (“Ambler Metals”) as a VIE as the entity is dependent on funding from its owners. All funding, ownership, voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of the VIE. Therefore, the Company has determined that it is not the primary beneficiary of the VIE. The Company’s maximum exposure to loss is its investment in Ambler Metals.

# Trilogy Metals Inc.

## Notes to Consolidated Financial Statements

Management assesses the possibility of impairment in the carrying value of its equity method investment in Ambler Metals 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, sustained losses by the investment, the absence of the ability to recover the carrying amount of the investment, deterioration of market conditions inclusive of significant changes in the legal, business or regulatory environment, 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.

### Fixed assets

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
Leasehold improvements	lease term
Office furniture and equipment	5 years

### 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 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.

### Leases

At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on the unique facts and circumstances present in the arrangement. Leases with a term greater than one year are recognized on the balance sheet as ROU assets and short-term and long-term lease liabilities, as applicable. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. It also considers termination options and factors those into the determination of lease payments. Options to renew a lease are not included in the assessment unless there is reasonable certainty that the Company will renew.

Operating lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the ROU asset may be required for items such as incentives received. The interest rate implicit in lease contracts is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate, which reflects the fixed rate at which it could borrow on a collateralized

# **Trilogy Metals Inc.**

## **Notes to Consolidated Financial Statements**

basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

### **Income taxes**

The liability method of accounting for income taxes is used and is based on differences between the accounting and tax basis 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**

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, 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 dollars 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 in the prior year, 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, the

# Trilogy Metals Inc.

## Notes to Consolidated Financial Statements

risk-free interest rate, and 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, net of forfeitures 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, net of forfeitures 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 judgments include the assessment of potential indicators of impairment of mineral properties and investments in affiliates where key judgement is the delay on the Ambler Access Project is temporary and the delay was considered when assessing indicators of impairment. Significant estimates include income taxes, and the valuation of stock-based compensation. Actual results could differ materially from those reported.

### 3) Investment in Ambler Metals LLC

#### (a) Formation of Ambler Metals LLC

On February 11, 2020, the Company completed the formation of the 50/50 Joint Venture named Ambler Metals with South32. As part of the formation of the Joint Venture, Trilogy contributed all its assets associated with the UKMP, including the Arctic and Bornite Projects, while South32 contributed \$145 million, resulting in each party’s subsidiaries directly owning a 50% interest in Ambler Metals.

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 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 Ambler Metals LLC 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.

#### (b) Carrying value of investment in Ambler Metals

During the year ended November 30, 2023, Trilogy recognized, based on its 50% ownership interest in Ambler Metals, an equity loss equivalent to its pro rata share of Ambler Metals’ net loss of \$15.7 million for the year ended November

## Trilogy Metals Inc.

### Notes to Consolidated Financial Statements

30, 2023 (2022 - \$34.7 million). The carrying value of Trilogy's 50% investment in Ambler Metals as at November 30, 2023 is summarized on the following table.

*in thousands of dollars*

	\$
<b>November 30, 2021, Investment in Ambler Metals</b>	<b>160,063</b>
Joint venture equity contribution	51
Share of loss on equity investment for the year ending November 30, 2022	(17,360)
<b>November 30, 2022, Investment in Ambler Metals</b>	<b>142,754</b>
Joint venture equity contribution	111
Share of loss on equity investment for the year ending November 30, 2023	(7,844)
<b>November 30, 2023, Investment in Ambler Metals</b>	<b>135,021</b>

(c) The following table summarizes Ambler Metals' Balance Sheet as at November 30, 2023.

*in thousands of dollars*

	November 30, 2023 \$	November 30, 2022 \$
Total assets	97,180	114,049
Cash	63,829	80,755
Mineral properties	30,899	30,899
Total liabilities	(2,931)	(4,335)
Accounts payable and accrued liabilities	(2,500)	(3,664)
<b>Members' equity (total assets less total liabilities)</b>	<b>94,249</b>	<b>109,714</b>

(d) The following table summarizes Ambler Metals' net loss for the years ended November 30, 2023, November 30, 2022 and November 30, 2021.

*in thousands of dollars*

	Year ended		
	November 30, 2023 \$	November 30, 2022 \$	November 30, 2021 \$
Depreciation	150	113	77
Corporate salaries and wages	2,068	1,664	2,381
General and administrative	547	738	991
Mineral property expense	12,822	32,083	22,720
Professional fees	547	792	1,047
Foreign exchange (gain)/loss	(2)	15	6
Interest and other income	(445)	(686)	(1,058)
<b>Comprehensive loss</b>	<b>15,687</b>	<b>34,719</b>	<b>26,164</b>

(e) Related party transactions

During the fiscal year 2023, the Company received \$27,000 (2022 - \$nil) related to operating expenses paid on behalf of Ambler Metals.

During the fiscal year 2022, the Company transferred a mineral claim to Ambler Metals and received net proceeds of approximately \$140,000.

**Trilogy Metals Inc.**  
**Notes to Consolidated Financial Statements**

**4) Accounts payable and accrued liabilities**

*in thousands of dollars*

	<b>November 30, 2023</b>	<b>November 30, 2022</b>
	\$	\$
Trade accounts payable	146	188
Accrued liabilities	54	36
Accrued salaries and vacation	232	121
<b>Accounts payable and accrued liabilities</b>	<b>432</b>	<b>345</b>

Of the accrued salaries and vacation approximately \$155,000 was settled, subsequent to the end of the year, on December 1, 2023 through the issuance of common shares of the Company (the "Common Shares").

**5) Leases**

(a) Right-of-use asset

*in thousands of dollars*

	\$
<b>Balance as at November 30, 2021</b>	<b>482</b>
Net amortization	(163)
<b>Balance as at November 30, 2022</b>	<b>319</b>
Net amortization	(206)
<b>Balance as at November 30, 2023</b>	<b>113</b>

(b) Lease liabilities

The Company's lease arrangements primarily consist of an operating lease for our office space ending in June 2024. There are no extension options.

Total lease expense recorded within general and administrative expenses was comprised of the following components:

*in thousands of dollars*

	<b>Year ended November 30, 2023</b>	<b>Year ended November 30, 2022</b>
	\$	\$
Operating lease costs	216	187
Variable lease costs	140	143
<b>Total lease expense</b>	<b>356</b>	<b>330</b>

Variable lease costs consist primarily of the Company's portion of operating costs associated with the office space lease as the Company elected to apply the practical expedient not to separate lease and non-lease components.

As of November 30, 2023, the remaining lease term was 0.6 years and the discount rate is 8%. Significant judgment was used in the determination of the incremental borrowing rate which included estimating the Company's credit rating.

## Trilogy Metals Inc. Notes to Consolidated Financial Statements

Supplemental cash and non-cash information relating to our leases during the year ended November 30, 2023 are as follows:

- Cash paid for amounts included in the measurement of lease liabilities was \$198,912.

Future minimum payments relating to the lease recognized in our balance sheet as of November 30, 2023 are as follows:

	<i>in thousands of dollars</i>
	<b>November 30, 2023</b>
Fiscal year	\$
2024	33
Total undiscounted lease payments	33
Effect of discounting	—
<b>Present value of lease payments recognized as lease liability</b>	<b>33</b>

### 6) Share capital

Authorized:

unlimited common shares, no par value

	<i>in thousands of dollars, except share amounts</i>	
	<b>Number of shares</b>	<b>Ascribed value</b>
		\$
<b>November 30, 2022</b>	<b>146,225,035</b>	<b>182,178</b>
Private Placement, net of share issue cost	5,854,545	3,115
Restricted Share Units	3,091,614	1,911
Deferred Share Units	415,056	468
NovaGold deferred share units conversion	1,130	4
Services settled by common shares	195,105	99
Joint venture equity contribution (note 4(b))	143,505	111
<b>November 30, 2023, issued and outstanding</b>	<b>155,925,990</b>	<b>187,886</b>

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, 2023, a total of 5,144 NovaGold DSUs remain outstanding representing a right to receive 859 Common Shares in Trilogy, which will settle upon certain directors retiring from NovaGold’s board.

#### (a) Common shares issuance

On April 25, 2023, the Company completed a non-brokered private placement of 5,854,545 Common Shares at a price of \$0.55 per Common Share for gross proceeds of \$3.2 million and net proceeds of \$3.1 million. Financing costs consisted of legal and stock exchange fees.

## Trilogy Metals Inc. Notes to Consolidated Financial Statements

### (b) 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, 2023, the Company granted 3,230,000 stock options (2022 – 1,734,500 stock options, 2021 – 3,374,150) at an exercise price of CDN\$0.78 (2022 - CDN\$2.21, 2021 – CDN\$2.52) 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 fair value attributable to options granted in 2023 was \$0.27 (2022 -\$0.71, 2021 - \$0.84).

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

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

	November 30, 2023
Risk-free interest rates	3.49%
Exercise price	CDN\$0.78
Expected life	3 years
Expected volatility	67.7%
Expected dividends	Nil

The Company recognized a stock option expense of \$0.9 million for the year ended November 30, 2023 (2022 - \$1.4 million; 2021 - \$3.3 million), net of forfeitures.

As of November 30, 2023, there were 2,131,757 unvested options outstanding with a weighted average exercise price of CDN\$1.02. The unvested stock option expense not yet recognized was \$0.2 million. This expense is expected to be recognized over the next twelve months.

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

	November 30, 2023	
	Number of options	Weighted average exercise price CDN\$
Balance – beginning of the year	11,225,400	2.49
Granted	3,230,000	0.78
Cancelled/forfeited	(636,000)	2.55
Expired	(1,170,000)	1.43
<b>Balance – end of the year</b>	<b>12,649,400</b>	<b>2.15</b>



## Trilogy Metals Inc. Notes to Consolidated Financial Statements

There were no stock options exercised during the year ended November 30, 2023.

The following table summarizes information about the stock options outstanding at November 30, 2023.

Range of exercise price - CDN	Outstanding			Exercisable		Unvested
	Number of outstanding options	Weighted average years to expiry	Weighted average exercise price CDN\$	Number of exercisable options	Weighted average exercise price CDN\$	Number of unvested options
\$0.75 to \$1.00	3,180,000	4.02	0.78	1,413,328	0.78	1,766,672
\$2.01 to \$2.50	2,220,250	2.28	2.27	1,855,165	2.27	365,085
\$2.51 to \$3.00	5,866,650	1.49	2.64	5,866,650	2.64	—
\$3.01 to \$3.41	1,382,500	1.06	3.03	1,382,500	3.03	—
	<b>12,649,400</b>	<b>2.22</b>	<b>2.15</b>	<b>10,517,643</b>	<b>2.38</b>	<b>2,131,757</b>

The aggregate intrinsic value of vested share options (the market value less the exercise price) at November 30, 2023 was \$nil (2022 - \$nil, 2021 - \$0.8 million) and the aggregate intrinsic value of exercised options for the year ended November 30, 2023 was \$nil (2022 - \$0.04 million, 2021 - \$1.4 million).

### (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.

There were 4,640,089 RSUs granted during the fiscal year ended November 30, 2023 (2022 – 1,359,349, 2021 – nil). Directors were granted 1,283,023 DSUs throughout the year ended November 30, 2023 (2022 – 283,289, 2021 – 58,925) based on their election to receive 100% of their annual retainer in DSUs.

A summary of the Company’s RSU and DSU Plan and changes during the year ended November 30, 2023 is as follows:

	Number of RSUs	Number of DSUs
Balance – beginning of the year	257,268	1,560,734
Granted	4,640,089	1,283,023
Vested/Converted	(3,286,719)	(415,056)
<b>Balance – end of the year</b>	<b>1,610,638</b>	<b>2,428,701</b>

For the year ended November 30, 2023, Trilogy recognized a stock-based compensation expense of \$3.0 million (2022 - \$2.0 million, 2021 - \$0.1 million).

## 7) 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 the mineral properties, at the UKMP, through our equity investee (note 3) 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.

# Trilogy Metals Inc.

## Notes to Consolidated Financial Statements

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 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.

### 8) 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, accounts receivable, deposits, 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, accounts receivable, deposits, and accounts payable and accrued liabilities.

#### 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, 2023 is limited to the Canadian dollar balances consisting of cash of CDN\$4,000, accounts receivable of CDN\$14,000 and certain trade payables and accrued personnel costs CDN\$267,000. 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 \$18,000.

##### (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 only significant exposure to credit risk is equal to the balance of cash and cash equivalents as recorded in the financial statements. The majority of the Company's cash and cash equivalents held at November 30, 2023 is uninsured. The Company does not consider any of its financial assets to be impaired as of November 30, 2023.

##### (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.

## Trilogy Metals Inc. Notes to Consolidated Financial Statements

Contractually obligated cash flow requirements as at November 30, 2023 are as follows.

*in thousands of dollars*

	Total \$	< 1 Year \$	1–2 Years \$	2–5 Years \$	Thereafter \$
Accounts payable and accrued liabilities	257	257	—	—	—
Office lease	33	33	—	—	—
	<b>290</b>	<b>290</b>	—	—	—

(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. Based on balances as at November 30, 2023 a 1% change in interest rates would result in a negligible change in net loss, 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 Company did not have any financial assets and liabilities that were measured and recognized at fair value as at November 30, 2023.

## Trilogy Metals Inc. Notes to Consolidated Financial Statements

### 9) 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:

	<i>in thousands of dollars</i>		
	November 30, 2023	November 30, 2022	November 30, 2021
	\$	\$	\$
Combined federal and provincial statutory tax rate	27.00 %	27.00 %	27.00 %
Income tax (recovery) at statutory rate	(4,037)	(6,549)	(5,848)
Difference in foreign tax rates	(118)	(252)	(194)
Non-deductible expenditures	239	374	937
Change in estimates in respect of prior years	15	39	116
Change in valuation allowance	3,901	6,388	4,989
<b>Income tax recovery (expense)</b>	—	—	—

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, 2023 and 2022 are as follows:

	<i>in thousands of dollars</i>	
	November 30, 2023	November 30, 2022
	\$	\$
Deferred income tax assets		
Non-capital losses	60,255	57,236
Mineral property interest	4,926	3,061
Mineral property impairment	26	17
Deferred interest	6,251	6,251
Property, plant and equipment	88	86
Lease liability	9	60
Share issuance costs	(5)	6
Other deductible temporary differences	166	181
<b>Total deferred tax assets</b>	<b>71,716</b>	<b>66,898</b>
Valuation allowance	(44,456)	(40,555)
<b>Net deferred income tax assets</b>	<b>27,260</b>	<b>26,343</b>
Deferred income tax liabilities		
Investment in Ambler Metals LLC	(27,229)	(26,257)
Right of use asset	(31)	(86)
<b>Deferred income tax liabilities</b>	<b>(27,260)</b>	<b>(26,343)</b>
<b>Net deferred income tax assets</b>	<b>—</b>	<b>—</b>

The Company has loss carry-forwards of approximately \$214 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

## Trilogy Metals Inc.

### Notes to Consolidated Financial Statements

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:

	<i>in thousands of dollars</i>	
	<b>Non-capital losses Canada</b>	<b>Operating losses United States</b>
	\$	\$
2024	—	569
2025	—	1,530
2026	—	7,871
Thereafter	63,192	140,858
	<b>63,192</b>	<b>150,828</b>

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.

Furthermore, tax reform provisions under Section 172 allow federal net operating losses arising in tax years subsequent to December 31, 2017 to be carried forward indefinitely. As at November 30, 2023 the Company has approximately \$30.8 million in operating losses that can be carried forward indefinitely.

#### 10) Commitment

The Company has commitments with respect to an office lease requiring future minimum lease payments as summarized in note 5(b).

#### 11) Subsequent events

On December 1, 2023, senior management and the Board of Directors were granted 358,826 RSUs and 194,819 DSUs, respectively in settlement of approximately \$155,000 for management salaries and \$82,750 for director fees.

On December 7, 2023, the Company granted 1,566,940 RSUs for short term incentives to executive and employees, all vesting immediately. Directors received an annual grant of 600,000 RSUs and 300,000 stock options, all vesting immediately. Employees and consultants received an annual grant of 2,475,000 stock options and 2,315,000 RSUs with a vesting schedule of one-third vesting immediately on the grant date, one-third to vest on the one year anniversary of the grant date and one-third to vest on the second year anniversary of the grand date.