Trilogy Metals Inc.

Management's Discussion & Analysis
For the Fourth Quarter and Year Ended November 30, 2019

(expressed in US dollars)

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General

This Management's Discussion and Analysis ("MD&A") of Trilogy Metals Inc. ("Trilogy", "the Company", "us" or "we") is dated February 12, 2020 and provides an analysis of our audited financial results for the year ended November 30, 2019 compared to the years ended November 30, 2018 and November 30, 2017.

The following information should be read in conjunction with our November 30, 2019 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.

Andrew West, Certified Professional Geologist, an employee and Exploration Manager for Trilogy, is a Qualified Person under National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"), and has approved the scientific and technical information in this MD&A.

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

Description of business

We are a base metals exploration company focused on exploring and developing our mineral holdings in the Ambler mining district located in Alaska, U.S.A. We conduct our operations through a wholly-owned subsidiary, NovaCopper US Inc. which is doing business as Trilogy Metals US ("Trilogy Metals US"). Our Upper Kobuk Mineral Projects, ("UKMP" or "UKMP Projects"), consist of: i) the 100% owned Ambler lands which host the Arctic copper-zinc-lead-gold-silver Project (the "Arctic Project"); and ii) the Bornite lands being explored under a collaborative long-term agreement with NANA Regional Corporation, Inc. ("NANA"), a regional Alaska Native Corporation, which host the Bornite carbonate-hosted copper Project (the "Bornite Project"). Subsequent to November 30, 2019, the Company's Upper Kobuk Mineral Projects were transferred to the Joint Venture (as defined below), a newly incorporated limited liability company incorporated under the laws of Delaware. Each of Trilogy and South32 hold a 50% interest in the Joint Venture.

Property review

Our principal assets, the UKMP Projects, are located in the Ambler mining district in Northwest Alaska. Our 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, are owned by Trilogy Metals US. The Ambler lands are located in Northwestern Alaska and consist of 185,805 acres (75,192 hectares) of Federal patented mining claims and State of Alaska mining claims, within which VMS mineralization has been found.

We have recorded the Ambler lands as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies.

Bornite Project

On October 19, 2011, Trilogy Metals US and NANA signed a collaborative agreement to explore and develop the Ambler mining district. Under the Exploration Agreement and Option to Lease (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. The agreement with NANA created a total land package incorporating our Ambler lands with the adjacent Bornite and ANCSA lands with a total area of approximately 426,690 acres (172,675 hectares).

Upon the decision to proceed with development of a mine within the area of interest, NANA maintains the right to purchase an ownership interest in the mine equal to between 16%-25% or retain a 15% net proceeds royalty which is payable after we have recovered certain historical costs, including capital and cost of capital. Should NANA elect to purchase an ownership interest in the mine, consideration will be payable based on the elected percentage purchased and all the costs incurred on the properties less $40.0 million, not to be less than zero. The parties would form a joint venture and be responsible for all future costs incurred in connection with the mine, including capital costs of the mine, based on each party's pro-rata share.

NANA would also be granted a net smelter return royalty between 1% and 2.5% upon the execution of a mining lease or a surface use agreement, the amount of which is determined by the particular area of land from which production originates.

We have accounted for the Bornite property as a mineral property with acquisition costs capitalized and exploration costs expensed in accordance with our accounting policies.

Corporate developments

Exercise of Warrants

During the three-month period ended August 31, 2019, all the Company's outstanding warrants were exercised. Three of the Company's largest shareholders exercised 6,521,740 in outstanding warrants. As a result of the warrant exercise, Trilogy Metals issued a total of 6,521,740 common shares of the Company and received cash proceeds of approximately $9.9 million.

Appointment of Interim CEO

In a press release dated September 5, 2019, the Company announced the resignation of Rick Van Nieuwenhuyse as CEO, President and director of Trilogy Metals and the appointment of James Gowans as President and CEO on an interim basis. Mr. Van Nieuwenhuyse remained as a consultant to the Company until February 29, 2020 and assisted with transitional matters and with advancing the Company's interests in Alaska. Mr. Gowans is a director of the Company and was President and CEO of Arizona Mining Inc. from 2016 to 2018 when Arizona Mining was purchased by South32 Limited. Previously he was a Senior Advisor to the Chairman, Co-President and EVP and COO at Barrick Gold Corporation from 2014 to 2015. Mr. Gowans has extensive experience in Alaska. He completed the feasibility study for the Red Dog Mine, oversaw the design and construction of that mine and then operated Red Dog for three years after commissioning.

South32 Option Exercise

In a press release dated December 19, 2019, the Company announced that South32 USA Exploration Inc. ('South32") had exercised its option under the Option Agreement (as defined below), in advance of the January 31, 2020 deadline, to acquire a 50% interest in a joint venture limited liability company ("LLC") that will own the Upper Kobuk Mineral Projects ("UKMP"). The formation of the joint venture occurred on February 11, 2020, whereby the Company contributed all of its assets associated with the UKMP and South32 contributed the Subscription Price of $145 million, resulting in each party owning a 50% interest in the LLC.

Project activities

South32 Option Agreement

On April 10, 2017, Trilogy and Trilogy Metals US entered into an Option Agreement to form a Joint venture with South32 Group Operations Pty Ltd., a wholly-owned subsidiary of South32 Limited, which agreement was later assigned by South32 Operations to its affiliate, South32 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. On formation of the joint venture, Trilogy Metals US will transfer its Alaskan assets, including the UKMP, and South32 will contribute the Subscription Price (as defined below).

To maintain the option in good standing, South32 was required to fund a minimum of $10 million per year for up to a three-year period, which funds were to execute a mutually agreed upon program at the UKMP. The funds provided by South32 could only be expended in accordance with an approved program by a technical committee with equal representation from Trilogy and South32. South32 could exercise its option at any time over the three-year period to enter into the 50/50 joint venture. To subscribe for 50% of the JV, South32 must contribute $150 million, plus (i) any amounts Trilogy spends on matched parallel funding to a maximum of $16 million over the three year period and (ii) $5 million if the option is exercised between April 1, 2018 and March 31, 2019 or $10 million if the option is exercised between April 1, 2019 and the expiration date of the option, less the amount of the initial funding contributed by South32 (the "Subscription Price"). On December 19, 2019, South32 elected to exercise the option to form the JV LLC.

Option Funding Phase

Provided that all the exploration data and information had been made available to South32 by no later than December 31 of each year, South32 had to decide by the end of January of the following year whether; (i) to fund a further tranche of a minimum of $10 million, or (ii) to withdraw and not provide any further annual funding.

The option payment for the first year was paid by South32 in April 2017 and expended on the Year 1 exploration program at the Bornite Project. Early in December 2017, South32 committed to fund the $10 million 2018 program for the Bornite Project. The funds, which represent the second tranche, maintained the Option Agreement in good standing, and were fully received on January 24, 2018. An additional $0.80 million was received during the year ended November 30, 2018 from South32 as an advance on the year three funding.

On January 31, 2019, we announced the 2019 program and budgets with South32 committing to fund the $9.2 million budget for the Bornite Project. The funds, which represent the third and final tranche, maintained the Option Agreement in good standing, and were fully received during the quarter ended February 28, 2019.

Subscription Funding Phase

South32 has now elected to subscribe for a 50% interest in a newly formed LLC which will take transfer of, and hold, Trilogy Metals US' Alaskan assets. As part of the Subscription Price, South32 will contribute the subscription price of $145 million.

Trilogy currently estimates that the Subscription Price would fund the UKMP through feasibility and the permitting of the first mine to be developed in the Ambler mining district. Once the full amount of the Subscription Price payment of $145 million is expended, the parties will contribute funding pro rata, as contemplated by the operating agreement which will govern the LLC (the "LLC Agreement"). The LLC Agreement anticipates a President, Vice President Finance and Vice President Operations to be appointed by the LLC's Board, which will have equal representation from Trilogy and South32.

As the initial option payments were credited against the future subscription price upon exercise, we have accounted for the payment received as deferred consideration. In the first quarter of fiscal 2020, when the option was exercised, the initial payments received to that date will be recognized as part of the consideration received for our contribution of the Alaska assets, including the UKMP, into the LLC.

Bornite Project

In partnership with South32 we completed a 2019 exploration program directed by the joint Trilogy-South32 Technical Committee at the Bornite Project with a total budget of $9.2 million, fully funded by South32. Exploration activities commenced at the beginning of June 2019. The primary objective for the 2019 Bornite drill program was to extend the known deposit by drilling approximately 8,000 meters with 12 holes, including both infill and expansion drilling.

A total of 7,610 meters (10 holes) of exploration drilling was achieved at the Bornite Project through a combination of infill and expansion drill holes in and around the known deposit. On September 10, 2019, the Company announced initial assay results from the first four drill holes, RC19-0257, RC19-0258, RC19-0259 and RC19-0261, from the Bornite Project with results consistent with what the Company has released in the past. Subsequently, on October 28, 2019, the Company announced assay results for the remaining six drill holes. RC19-0260, RC19-0264, RC19-0265 all showed significant mineralization. Assay results for the remaining three holes, RC19-0262, RC19-0263 and RC19-0266 did not encounter any significant mineralization.

Our actual costs at the Bornite Project were consistent with the budget of $9.2 million. In fiscal 2019, we expended $9.2 million on the Bornite Project, consisting of $4.1 million in drilling and geochemistry, $4.6 million in project support expenses, $0.2 million in engineering studies, $0.2 million in geophysical programs and $0.1 million in environmental studies.

Arctic Project

Work at the Arctic deposit commenced in late June 2019 with a view of completing feasibility level geotechnical and hydrology work. The main goal of this year's work program was to complete engineering and environmental studies to prepare a National Instrument 43-101 compliant feasibility study which results are anticipated to be released in the first half of 2020. Specifically, the Company continued with its hydrological and geotechnical work at the site along with water management, tailings facility and waste rock containment analysis and design. Additional metallurgical test work to verify ore hardness and grinding characteristics was performed during the field season. Work is also being done to prepare the Arctic Project for permitting, which we expect to commence after the completion of the feasibility study. The permitting preparation work being carried out will support Federal, State and Borough permitting requirements.

The year's program drilled ten holes comprising 2,422 meters of geotechnical and hydrological drilling completed during the 2019 summer field season. Eight holes were sampled and sent off for assay analysis. Hole AR19-165 was lost due to technical drilling issues and hole AR19-0168 did not intersect base metal mineralization. In a press release dated January 16, 2020, the Company announced assay results for drill holes AR19-0164, AR19-165A, AR19-166, AR19-167, AR19-169 to AR19-172.

The Company continues to progress our Arctic feasibility study which is being prepared by Ausenco Engineering Canada Inc. and John Wood Group PLC based on drill results and studies completed prior to formation of the LLC. The Company expects to release the Arctic feasibility study by the end of first half of 2020.

Our actual costs were above our budget of $7 million mostly due to additional engineering costs surrounding feasibility infrastructure and project support costs. In fiscal 2019, we expended $8.6 million on the Arctic Project, consisting of $2.1 million in engineering expenses, $1.5 million in drilling, geochemistry and geophysical programs, $3.2 million in project support expenses, $0.7 million in land maintenance and permit expenses, $0.6 million in community engagement and $0.5 million in environmental studies.

Regional Exploration

During fiscal 2019, a $2.0 million exploration budget was approved for regional exploration, focusing on identifying and testing new drill targets within the Ambler VMS Belt. The Company and South32 agreed to equally fund the $2 million 2019 program.

District-wide Versatile Time Domain Electromagnetic ("VTEM") and Z – Axis Tipper Electromagnetic ("ZTEM") helicopter airborne geophysical surveys were completed this spring along the entire 100-kilometer long belt of the favorable stratigraphy hosting known polymetallic VMS deposits, as well as the areas around the Bornite deposit and the surrounding Cosmos Hills area. The surveys were flown by Geotech Ltd. and the data was re-processed by Resource Potential PTY Ltd. The new VTEM and ZTEM surveys have been integrated into our dataset of historical drilling accumulated over a 40-year period of exploration, all of which have been geo-referenced into an integrated GIS database.

The exploration drilling completed during the field season targeted the Sunshine prospect, which is approximately eight miles (13 kilometers) from the Arctic Project. In a press release dated September 10, 2019, the Company announced assay results for one drill hole (SC19-019) from the Sunshine prospect comprising 161 meters of the 1,357 meter, six-hole drill 2019 campaign at this prospect. In a press release dated November 7, 2019, the Company announced assay results for the remaining five drill holes, SC19-018, SC19-020 to SC19-023.

As a result of the data analysis from the geophysics surveys, in October 2019, we staked an additional 465 (443 160-acre claims and 22 40-acre claims) Alaska state mining claims adjacent to our existing mining claim block to bring the total mining claims on state land to approximately 75,082 hectares (185,533 acres), an increase of 66%. The total land package, including the Bornite Lands, is now approximately 172,675 hectares (426,690 acres). These lands will form part of the assets to be contributed by the Company to the LLC.

Our actual costs were consistent with our budget of $2 million. In fiscal 2019, we expended $1.9 million on regional exploration, consisting $1.1 million in drilling at the Sunshine Prospect, geochemistry and geophysical programs, and $0.8 million in project support expenses.

Ambler Mining District Industrial Access Project ("AMDIAP")

On October 29, 2019 the comment period closed for the AMDIAP Draft Environmental Impact Statement ("EIS"). The Bureau of Land Management ("BLM"), which is the lead agency, is now incorporating the comments into the final EIS. The BLM is expected to provide an update on the timing of the completion of the final EIS soon.

Outlook

On February 11, 2020, Trilogy announced the completion of the 50/50 joint venture with South32 (the "Joint Venture"). Trilogy contributed all of 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, resulting in each party owning a 50% interest in Ambler Metals LLC ("Ambler Metals"), the name of the LLC. The funds will be used to advance the Arctic and Bornite projects, along with exploration in the Ambler mining district.

Many of Trilogy's employees will be focused on working on the UKMP this year through a services agreement with Ambler Metals. We expect to recover costs for our US-based employees from Ambler Metals from February onward and we also expect that the majority of our US-based employees will transition to being employees of Ambler Metals before the end of the year. 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 funds are spent by the LLC. Therefore, we anticipate that our current cash resources will be sufficient to fund our current level of corporate expenditures for three or more years. With the Company completing the joint venture and engaging in an executive search for a new CEO, we anticipate that our professional fees will be approximately $400,000 higher in the first quarter of 2020 due to this increased level of corporate activity.

We are also working on the accounting for our investment in the Joint Venture. With the completion of the Joint Venture, we now hold a 50% interest in the UKMP which we expect to record our interest as an equity investment, which results in our share of Ambler Metals' expenses being recorded in the income statement as an operating loss. We will provide additional information on the 2020 program and budget when it is finalized.

Summary of results

in thousands of dollars, except for per share amounts

Selected expenses	Year ended November 30, 2019 $	Year ended November 30, 2018 $	Year ended November 30, 2017 $
General and administrative	1,838	1,532	1,385
Mineral properties expense	19,211	16,490	15,100
Professional fees	1,382	453	708
Salaries	1,314	1,467	975
Salaries – stock-based compensation	3,845	1,441	705
Unrealized loss on held for trading investments	-	-	1,645
Loss on sale of investments	-	272	580
Loss and comprehensive loss for the year	27,905	21,849	21,104
Basic and diluted loss per common share	$0.21	$0.18	$0.20

For the year ended November 30, 2019, we reported a net loss of $27.9 million (or $0.21 basic and diluted loss per common share) compared to a net loss for the corresponding period in 2018 of $21.8 million (or $0.18 basic and diluted loss per common share) and a net loss of $21.1million for the corresponding period in 2017 (or $0.20 basic and diluted loss per common share). 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 both respective prior years that did not exist in the fiscal 2019 year.

The increase in the net loss pertaining to 2019 relates to the size of the program undertaken at the UKMP. 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. The 2019 field program consisted of 7,610 meters of exploration drilling at the Bornite Project. At the Arctic Project, we completed 10 holes for 2,422 meters of geotechnical drilling. The regional program included a VTEM and ZTEM helicopter airborne geophysical survey and 1,357 meters of exploration diamond drilling program completed at the Sunshine prospect for which there are no prior year comparatives.

The slight increase in the net loss pertaining to 2018 relative to 2017 relates to the size of the program undertaken at the UKMP in 2018. We executed a $16.5 million program at the UKMP in 2018, with $10.8 million on the Bornite Project funded by South32 under the Option Agreement. The 2018 field program consisted of 10,123 meters of exploration drilling at the Bornite Project. At the Arctic Project, 593 meters of geotechnical drilling and 40 test pits were completed to provide additional geotechnical and hydrologic information for the waste rock dump, tailings management facility and surface infrastructure in the area.

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

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

Professional fees for the year ended November 30, 2019 were $1.4 million, an increase of $0.9 million from the $0.5 million incurred for the year November 30, 2018, and an increase of $0.7 million from the $0.7 million incurred for the year ended November 30, 2017. The increase in professional fees in 2019 is primarily due to increased legal fees due to filing of the base shelf prospectus and accounting fees for research and implementation of new accounting standards per US GAAP. Professional fees in 2018 decreased from 2017 as the prior year included the arrangement with South32 and preparatory costs associated with the filing of a base shelf prospectus in Canada and the United States.

Other variances for the year ended November 30, 2019 compared to 2018 and 2017 are as follows: (a) $1.8 million in general and administrative expenses in 2019 compared to $1.5 million in 2018 and $1.4 million in 2017 primarily due to increased stock exchange fees driven by the Company's increased market capitalization and regulatory fees related to the filing of the base shelf prospectus. The slight increase in 2018 compared to 2017 was primarily due to less favorable foreign exchange movement; (b) $1.3 million in salaries in 2019 compared to $1.5 million in 2018 and $1 million in 2017 due to changes in staffing levels at the corporate office; and (c) $3.8 million in stock based compensation in 2019 compared to $1.4 million in 2018 and $0.7 million in 2017 due to the fair value of grants valued using the Black-Scholes model, which is most sensitive to the Company's increased share price and future expected volatility.

The comparable basic and diluted loss per common share for 2019 of $0.21 is higher than 2018 due to the higher net loss for the year offset by the dilutive effect of an increased weighted average number of shares outstanding at November 30, 2019, primarily driven by the exercise of warrants during 2019 versus the prior year. The basic and diluted loss per common share for 2018 of $0.18 is lower than 2017 primarily due to the dilutive effect of a significantly increased weighted average number of shares outstanding at November 30, 2018 from the issuance of shares related to the Bought-deal financing in 2018.

Fourth quarter results

During the fourth quarter of 2019, we had a loss of $6.5 million compared to a loss of $5.3 million in the fourth quarter of 2018. The primary drivers for the difference were $0.7 million higher stock-based compensation, $0.6 million higher professional fees and $0.1 million increase in general and administrative expenses, all offset by $0.2 million in decreased salaries and benefits in the fourth quarter 2019. The $3.8 million of mineral property expenses in the fourth quarter of 2019 is consistent with the fourth quarter of 2018 comparative. The variance in these expenses has historically been primarily driven by the timing of the camp shut down which was the middle of October for both years.

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, 2019 $	Year ended November 30, 2018 $	Year ended November 30, 2017 $
Interest income	500	346	59
Expenses	28,405	21,923	18,930
Loss from continuing operations for the year	27,905	21,849	21,104
Loss and comprehensive loss for the year	27,905	21,849	21,104
Total assets	51,617	54,659	40,279
Total liabilities	33,354	22,457	14,614

Quarterly information

in thousands of dollars, except per share amounts

	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
	11/30/19	08/31/19	05/31/19	02/28/19	11/30/18	08/31/18	05/31/18	02/28/18
	$	$	$	$	$	$	$	$
Interest and other income	**91**	137	150	122	117	135	77	17
Mineral property expenses	**3,819**	10,951	2,906	1,535	3,833	9,051	2,475	1,131
Loss for the period	**(6,525)**	(12,535)	(4,509)	(4,336)	(5,319)	(9,920)	(3,664)	(2,946)
Loss per common share – basic and diluted	**(0.05)**	(0.09)	(0.04)	(0.03)	(0.04)	(0.08)	(0.03)	(0.03)

Factors that can cause fluctuations in our quarterly results include the length of the exploration field season at the properties, the type of program conducted, stock option vesting, and issuance of shares. Other factors that have caused fluctuations in the quarterly results that would not be expected to re-occur include the disposition of GMI shares (which were fully disposed in 2018) and financing activities.

Our net loss for the first quarter ended February 28, 2019 of $4.3 million is significantly higher than the comparative first quarter ended February 28, 2018. The $1.4 million increase in net loss is primarily due to higher first quarter 2019 stock-based compensation from the higher fair value amortization of new option grants and higher mineral property expenses incurred due to geochemistry work and environmental studies. Our net loss for the second quarter ended May 31, 2019 of $4.5 million is $0.9 million higher when compared to the comparative second quarter ended May 31, 2018. The difference is primarily due to an increase in mineral properties expenses related to the new regional exploration program commencing in the period with district-wide airborne geophysical surveys completed in the quarter and an increase in stock-based compensation. Similarly, our net loss for the third quarter ended August 31, 2019 of $12.5 million has increased significantly from the comparative loss of $9.9 million for the same quarter in the prior year. The $2.6 million increase is primarily due to an increase in mineral properties expenditures due to the size of the 2019 field program which included the new regional exploration program which did not exist in the comparative period. The loss of $6.5 million for the fourth quarter ended November 30, 2019 is higher when compared to the net loss of $5.3 million incurred in the fourth quarter ended November 30, 2018. As discussed above under the fourth quarter results, the increase is primarily due to the stock-based compensation and the professional fees.

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

Liquidity and capital resources

At November 30, 2019, we had $19.2 million in cash and cash equivalents. We expended $23.5 million on operating activities during the 2019 fiscal year compared with $22.1 million for operating activities for the same period in 2018, and expenditures of $15.4 million for operating activities for the same period in 2017. A majority of cash spent on operating activities during all periods was expended on mineral property expenses, general and administrative expenses, salaries and professional fees. The increase in cash spent in the year ended November 30, 2019 is mainly due to increased mineral property expenses of $2.7 million, professional fees of $0.9 million, and general and administrative expenses of $0.3 million offset by $2.4 million in cash saving from changes in net non-cash working capital. As at November 30, 2019, the Company had consolidated cash of $19.2 million and working capital of $18 million. 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 three years.

During the year ended November 30, 2019, the Company 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. Comparatively, during the year ended November 30, 2018, the Company completed a bought-deal financing for gross proceeds of $28.7 million by issuing 24,784,482 common shares at $1.16 per common share. The financing related costs including the bank commissions, legal fees, stocking exchange and other fees totaled $1.8 million for net proceeds of $26.9 million.

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. 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 the remaining investment in GMI shares. During the year ended November 30, 2017, we raised $13.5 million from investing activities of which $10.4 million was mineral property funding from South32 and $3.4 million from the sale of GMI shares offset by outflows of $0.3 million for acquisition of equipment.

Contractual obligations

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

in thousands of dollars

	Total $	< 1 Year $	1–2 Years $	2–5 Years $	Thereafter $
Accounts payable and accrued liabilities	2,354	2,354	-	-	-
Office lease	892	182	388	322	-
Warehouse lease (Alaska)	110	57	53	-	-
	3,356	**2,593**	**441**	**322**	**-**

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

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

Off-balance sheet arrangements

We have no material off-balance sheet arrangements. The Company has lease commitments for office and warehouse space with a remaining total commitment of $1 million.

Outstanding share data

At February 12, 2020, we had 140,659,776 common shares issued and outstanding. At February 12, 2020, we had 11,228,933 stock options with a weighted-average exercise price of $1.31, as well as 1,156,674 DSUs and 11,927 NovaGold DSUs for which the holder is entitled to receive one common share for every six NovaGold shares received. For additional information on NovaGold DSUs, please refer to note 6 in our November 30, 2019 audited consolidated financial statements. Upon the exercise of all the forgoing convertible securities, the Company would be required to issue an aggregate of 12,387,595 common shares.

Financial instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, investments, accounts payable and accrued liabilities, and embedded derivatives. The fair value of the financial instruments approximates their carrying value due to the short-term nature of their maturity. Our financial instruments initially measured at fair value and then held at amortized cost include cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. The South32 purchase option is a derivative financial liability measured at fair value with changes in value recorded to the statement of loss.

(a) Currency risk

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. The Company operates in the United States and Canada. The Company's exposure to currency risk at November 30, 2019 is limited to Canadian dollar balances consisting of cash of CDN$127,000, accounts receivable of CDN$56,000 and accounts payable of CDN$1,600,000. 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 $107,000.

(b) Credit risk

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

(c) Liquidity risk

Liquidity risk is the risk that 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, 2019, a 1% change in interest rates would result in a change in net loss of $0.2 million, assuming all other variables remain constant.

As we are currently in the exploration phase none of our financial instruments are exposed to commodity price risk; however, our ability to obtain long-term financing and its economic viability could be affected by commodity price volatility.

New accounting pronouncements

Certain recent accounting pronouncements have been included under note 2 in our November 30, 2019 audited consolidated financial statements.

Critical accounting estimates

The most critical accounting estimates upon which our financial status depends are those requiring estimates of the recoverability of our capitalized mineral properties, impairment of long-lived assets, income taxes and valuation of stock-based compensation.

Impairment of long-lived assets

Management assesses the possibility of impairment in the carrying value of its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Significant judgments are made in assessing the possibility of impairment. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, indications of value from external sources, significant changes in the legal, business or regulatory environment, and adverse changes in the use or physical condition of the asset. These factors are subjective and require consideration at each period end. If an indicator of impairment is determined to exist, management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange rates, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset.

Income taxes

We must make estimates and judgments in determining the provision for income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits including interest and penalties. We are subject to income tax law in the United States and Canada. The evaluation of tax liabilities involving uncertainties in the application of complex tax regulation is based on factors such as changes in facts or circumstances, changes in tax law, new audit activity, and effectively settled issues. The evaluation of an uncertain tax position requires significant judgment, and a change in such recognition would result in an additional charge to the income tax expense and liability.

Stock-based compensation

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected life, expected forfeiture rate, expected dividend yield and the risk-free interest rate over the expected life of the option. The use of the Black-Scholes option pricing model requires input estimation of the expected life of the option, volatility, and forfeiture rate which can have a significant impact on the valuation model, and resulting expense recorded.

South32 Option Agreement

The option to form the Joint Venture LLC is recognized as a financial instrument at inception of the arrangement with an initial fair value of $nil. This option is required to be re-measured at fair value at each reporting date with any changes in fair value recorded in loss for the period.

Disclosure controls and procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted by the Company under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, including providing reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to permit timely decisions regarding public disclosure. Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the US Exchange Act and the rules of Canadian Securities Administration, as at November 30, 2019. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at November 30, 2019.

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, 2019, 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 13, 2020 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 applicable Canadian securities laws. These forward-looking statements may include statements regarding the formation of the joint venture LLC with South32, the timing of an updated feasibility study on the Arctic Project, perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, statements relating to anticipated activity with respect to the Ambler Mining District Industrial Access Project ("AMDIAP"), the Company's plans and expectations relating to the Arctic and Bornite projects (the "Upper Kobuk Mineral Projects"), completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed and, in the case of mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically and legally exploited.

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;*
- *our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- *continued good relationships with South32 (as defined below), 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; 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 Annual Report on Form 10-K. 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 inability to define proven and probable rersereves;*
- *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 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;*
- *commodity price fluctuations;*
- *our history of losses and expectation of future losses;*
- *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 related to market events and general economic conditions;*
- *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;*
- *uncertainty related to title to our mineral properties;*
- *risks related to the acquisition and integration of operations or projects;*
- *risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;*
- *our need to attract and retain qualified management and technical personnel;*
- *risks related to conflicts of interests of some of our directors and officers;*
- *risks related to potential future litigation;*
- *risks related to the voting power of our major shareholders and the impact that a sale by such shareholders may have on our share price;*
- *risks related to global climate change;*
- *risks related to adverse publicity from non-governmental organizations;*
- *uncertainty as to our ability to maintain the adequacy of internal control over financial reporting as per the requirements of Section 404 of the Sarbanes-Oxley Act;*

- *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;*
- *uncertainty as to the volatility in the price of the Company's common shares;*
- *the Company's expectation of not paying cash dividends; and*
- *adverse federal income tax consequences for U.S. shareholders should the Company be a passive foreign investment company.*

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 13, 2020, 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.