

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended November 30, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number: 1-35447

TRILOGY METALS INC.

(Exact Name of Registrant as Specified in Its Charter)

British Columbia
(State or Other Jurisdiction of
Incorporation or Organization)

98-1006991
(I.R.S. Employer
Identification No.)

Suite 1150, 609 Granville Street
Vancouver, British Columbia
Canada
(Address of Principal Executive Offices)

V7Y 1G5
(Zip Code)

(604) 638-8088
(Registrant's Telephone Number, Including Area Code)

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Shares, no par value	TMQ	NYSE AMERICAN

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As at May 31, 2019, the aggregate market value of the registrant’s Common Shares held by non-affiliates was approximately \$228 million. As of February 12, 2019, the registrant had 140,659,776 Common Shares, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than March 30, 2020, in connection with the registrant’s 2020 annual meeting of shareholders, are incorporated herein by reference into Part III of this Annual Report on Form 10-K.

TRILOGY METALS INC.

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Unless the context otherwise requires, the words “we,” “us,” “our,” the “Company” and “Trilogy” refer to Trilogy Metals Inc., formerly NovaCopper Inc. (“Trilogy”), a British Columbia corporation, either alone or together with its subsidiaries as the context requires, as of November 30, 2019.

CURRENCY

All dollar amounts are in United States currency unless otherwise stated. References to C\$ or CDN\$ refer to Canadian currency, and \$ or US\$ to United States currency.

FORWARD-LOOKING STATEMENTS

The information discussed in this Annual Report on Form 10-K includes “forward-looking information” and “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), and applicable Canadian securities laws. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, statements relating anticipated activity with respect to the Ambler Mining District Industrial Access Project (“AMDIAP”), the Company’s plans and expectations relating to the Upper Kobuk Mineral Projects, completion of transactions, market prices for precious and base metals, the results of the Arctic PFS (as defined herein) or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are 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 reserves;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- uncertainty as to whether there will ever be production at the Company’s mineral exploration and development properties;
- risks related to our ability to commence production and generate material revenues or obtain adequate financing for our planned exploration and development activities;
- risks related to lack of infrastructure including but not limited to the risk whether or not the AMDIAP will receive the requisite permits and, if it does, whether the Alaska Industrial Development and Export Authority (“AIDEA”) will build the AMDIAP;
- risks related to inclement weather which may delay or hinder exploration activities at our mineral properties;
- risks related to our dependence on a third party for the development of our projects;
- none of the Company’s mineral properties are in production or are under development;
- risks related to future sales or issuances of equity securities decreasing the value of existing Trilogy common shares (“Common Shares”), diluting voting power and reducing future earnings per share;
- 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 (“SOX”);
- increased regulatory compliance costs, associated with rules and regulations promulgated by the United States Securities and Exchange Commission (“SEC”), Canadian Securities Administrators, the NYSE American, the Toronto Stock Exchange (“TSX”), and the Financial Accounting Standards Boards, and more specifically, our efforts to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”);
- 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 our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements 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 this report under the heading “*Risk Factors*” and elsewhere.

Our forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made. In connection with the forward-looking statements contained herein, we have made certain assumptions about our business, including about:

- our ability to achieve production at our Arctic and Bornite Projects;
- the accuracy of our mineral resource 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 matters;
- 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 hereof. 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. We do 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. All forward-looking statements contained herein are qualified by these cautionary statements.

CAUTIONARY NOTE TO UNITED STATES INVESTORS

Unless otherwise indicated, all resource estimates, and any reserve estimates, included or incorporated by reference in this Annual Report on Form 10-K have been, and will be, prepared in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves (“CIM Definition Standards”). 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. NI 43-101 permits the disclosure of an historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101

to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) to the extent known, provides the key assumptions, parameters and methods used to prepare the historical estimate; (d) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (e) includes any more recent estimates or data available.

Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and reserve and resource information contained or incorporated by reference into this Annual Report on Form 10-K 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 SEC Industry Guide 7, 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. SEC Industry Guide 7 does not define and 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. U.S. investors should also understand that “inferred mineral resources” have a great amount of uncertainty as to their economic and legal feasibility. Under Canadian rules, subject to certain exceptions, estimated “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies. 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 any reserves reported by us in compliance with NI 43-101 may not qualify as “reserves” under SEC standards. We have no known reserves as defined in SEC Industry Guide 7. Accordingly, information concerning mineral deposits set forth herein may not be comparable to similar information made public by United States companies subject to reporting and disclosure requirements under United States federal securities laws and the rules and regulations thereunder.

GLOSSARY OF TECHNICAL TERMS

We estimate and report our resources and reserves according to the definitions set forth in NI 43-101. We will modify and reconcile the reserves as appropriate to conform to SEC Industry Guide 7 for reporting in the U.S. The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the parallels and differences.

The following technical terms defined in this section are used throughout this Form 10-K:

“**AA**” is atomic absorption.

“**Ag**” is the chemical symbol for silver.

“**AMT**” is audio-magnetotelluric.

“**Au**” is the chemical symbol for gold.

“**CIM**” is the Canadian Institute of Mining, Metallurgy and Petroleum.

“**Co**” is the chemical symbol for cobalt.

“**Cu**” is the chemical symbol for copper.

“**DIGHEM**” is a proprietary geophysical survey system.

“**dilution**” is waste, which is unavoidably mined with ore.

“**dip**” is the angle of inclination of a geological feature/rock from the horizontal.

“**EM**” is electromagnetic.

“**fault**” is the surface of a fracture along which movement has occurred.

“**gangue**” are non-valuable components of the ore.

“**grade**” is the measure of concentration of metal within mineralized rock.

“**g**” is a gram.

“**g/t**” is grams per metric tonne.

“**ha**” is a Hectare.

“**ICP**” is induced couple plasma.

“**IRR**” is internal rate of return.

“**km**” is a kilometer.

“**m**” is a meter.

“**masl**” is meters above sea level.

“**Mg**” is the chemical symbol for magnesium.

“**micron**” or “**µm**” is 0.000001 meters.

“**mm**” is a millimeter.

“**MS**” is massive sulfide.

“**MW**” is million watts.

“**NPV**” is net present value

“**ounce**” or “**oz**” is a troy ounce.

“**Pb**” is the chemical symbol for lead.

“**ppm**” is parts per million.

“**QA/QC**” is quality assurance and quality control.

“**SG**” is specific gravity.

“**strike**” is the direction of line formed by the intersection of strata surfaces within the horizontal plane, always perpendicular to the dip direction.

“**tailings**” is the finely ground waste rock from which valuable minerals or metals have been extracted.

“**tonne**” is a metric tonne: 1,000 kilograms or 2,204.6 pounds.

“**t/d**” is tonnes per day.

“**XRF**” is x-ray fluorescence spectroscopy.

“**Zn**” is the chemical symbol for zinc.

CIM Definition Standards, adopted by CIM Council on May 10, 2014:

“feasibility study” means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable modifying factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate, at the time of reporting, that the extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a pre-feasibility study.

“indicated mineral resource” means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An indicated mineral resource has a lower level of confidence than that applying to a measured mineral resource and may only be converted to a probable mineral reserve.

“inferred mineral resource” means that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred mineral resource has a lower level of confidence than that applied to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.

“measured mineral resource” means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve.

“mineral reserve” means the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of modifying factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which mineral reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a mineral reserve must be demonstrated by a pre-feasibility or feasibility study.

“mineral resource” means a concentration or occurrence of solid material of economic interest in or on the Earth’s crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geologic characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

“modifying factors” means the considerations used to convert mineral resources to mineral reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

“pre-feasibility study (preliminary feasibility study)” means a comprehensive study or a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the modifying factors and the evaluation of any other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the mineral resource may be converted to a mineral reserve at the time of reporting. A pre-feasibility study is at a lower confidence level than a feasibility study.

“probable mineral reserve” means the economically mineable part of an indicated, and in some circumstances, a measured mineral

resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proven mineral reserve.

“proven mineral reserve” means the economically mineable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors.

SEC Industry Guide 7 Definitions:

“exploration stage” deposit is one which is not in either the development or production stage.

“development stage” project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.

“mineralized material” refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.

“probable reserve” refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

“production stage” project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

“proven reserve” refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

“reserve” refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. (“Bankable standards” implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.

TECHNICAL INFORMATION

Andrew West, a Qualified Person under NI 43-101 and an employee and Exploration Manager of the Company has reviewed and approved the scientific and technical information contained in this Annual Report on Form 10-K.

PART I

Item 1. BUSINESS

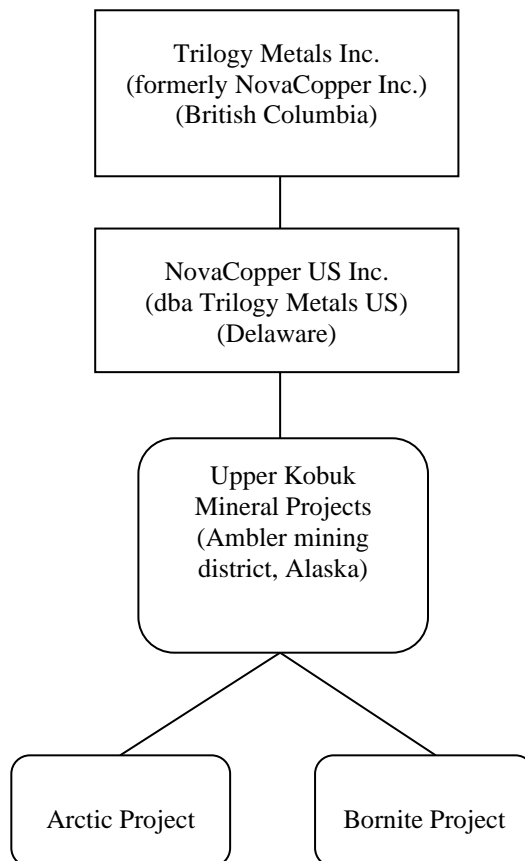
Our principal business is the exploration and development of our Upper Kobuk Mineral Projects (“Upper Kobuk Mineral Projects” or “UKMP Projects”) located in the Ambler mining district in Northwest Alaska, United States, comprising the (i) Arctic Project, which contains a high-grade polymetallic volcanogenic massive sulfide (“VMS”) deposit (“Arctic Project”); and (ii) Bornite Project, which contains a carbonate-hosted copper deposit (“Bornite Project”). Our goals include expanding mineral resources and advancing our projects through technical, engineering and feasibility studies so that production decisions can be made on those projects. Our UKMP Projects are held by a wholly-owned subsidiary, NovaCopper US Inc. (dba Trilogy Metals US) (“Trilogy Metals US”), registered to do business in the State of Alaska.

Name, Address and Incorporation

Trilogy Metals Inc. was incorporated on April 27, 2011 under the name NovaCopper Inc. pursuant to the terms of the *Business Corporations Act* (British Columbia) (“BCBCA”). NovaCopper Inc. changed its name to Trilogy Metals Inc. on September 1, 2016 to better reflect its diversified metals resource base. Our registered office is located at Suite 2600, Three Bental Centre, 595 Burrard Street, Vancouver, British Columbia, Canada, and our executive office is located at Suite 1150, 609 Granville Street, Vancouver, British Columbia, Canada.

Corporate Organization Chart

The following chart depicts our corporate structure together with the jurisdiction of incorporation of our subsidiary at November 30, 2019. All ownership is 100%.



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 Limited

hold a 50% interest in the Joint Venture. All mineral resources and mineral reserve estimates with respect to the Arctic Project and Bornite Project that are disclosed in this Annual Report on Form 10-K are reported on a 100% basis. See “*Significant Developments in 2019*”.

Business Cycle

Our business, at its current exploration phase, is cyclical. Exploration activities are conducted primarily during snow-free months in Alaska. The optimum field season at the Upper Kobuk Mineral Projects is from late May to late September. The length of the snow-free season at the Upper Kobuk Mineral Projects varies from about May through November at lower elevations and from July through September at higher elevations.

Trilogy’s Strategy

Our business strategy is focused on creating value for stakeholders through our ownership and advancement of the Arctic Project and exploration of the Bornite Project and through the pursuit of similarly attractive mining projects. We plan to:

- advance the Arctic Project towards development with key activities including increased definition of the NI 43-101 mineral resources and reserves contained in the 2018 Arctic Report (as defined below), technical studies to support completion of a pre-feasibility or feasibility study and the advancement of baseline environmental studies;
- advance exploration in the Ambler mining district and, in particular, at the Bornite Project, pursuant to the NANA Agreement (as more particularly described under “*History of Trilogy – Agreement with NANA Regional Corporation*”) through resource development and initial technical studies; and
- pursue project level or corporate transactions that are value accretive.

Significant Developments in 2019

- On March 5, 2019, we issued a press release to announce additional copper and cobalt metallurgical results for the Bornite Project. Nine metallurgical composite samples were prepared from materials obtained from drilling at the Bornite Project during 2017 and 2018. Each of these test samples were approximately 60 to 120 kilograms in mass and represented approximately 30 to 100 meters of drill core. Mineralogical analysis of each of the nine composites was completed, indicating that a majority of the copper mineralization occurred as chalcopyrite, with minor amounts of bornite and variable pyrite levels within the test samples.
- On June 28, 2019, we issued a press release to announce that all the Company’s outstanding warrants had been exercised in advance of the expiry date. Three of the Company’s largest shareholders exercised 6,521,740 in outstanding warrants. As a result of this warrant exercise, we issued a total of 6,521,740 common shares of the Company and received cash proceeds of approximately \$9.9 million.
- On August 26, 2019, we issued a press release reporting the public release of the Draft Environmental Impact Statement (“EIS”) Statement by the United States Bureau of Land Management (“BLM”) for the AMDIAP and the Environmental and Economic Analysis by the United States National Park Service (“NPS”) for that portion of AMDIAP that traverses the Gates of the Arctic National Park and Preserve. The public comment period of 45 days had commenced with comments on the Draft EIS being accepted through October 15, 2019.
- On September 5, 2019, we issued a press release announcing the resignation of Rick Van Nieuwenhuysse as CEO, President and director of Trilogy Metals. James (Jim) Gowans was appointed CEO and President on an interim basis. Mr. Van Nieuwenhuysse remains a consultant to the Company until February 29, 2020 to assist with transitional matters and with advancing our interests in Alaska.
- On October 31, 2019, we filed a final short form base shelf prospectus with the securities commissions in each of the provinces of Canada, other than Québec, and a corresponding registration statement on Form S-3 with the SEC allowing for the future issuance, from time to time, of up to US\$100,000,000 in common shares, warrants to purchase common shares, share purchase contracts of the Company, subscription receipts, units or a combination of those securities. The intention of the base shelf

prospectus and shelf registration statement is to allow the Company to more quickly access capital when the capital is needed and as market opportunities permit.

- Subsequent to our fiscal year end of November 30, 2019, we announced in a press release dated December 19, 2019 that, pursuant to the South32 Option Agreement (as defined below), South32 had exercised its option to acquire a 50% interest in a joint venture company to be named “Ambler Metals LLC” (the “Joint Venture”) that now owns the UKMP located in northwest Alaska. On February 11, 2020, we announced that the formation of the Joint Venture had completed, with the Company contributing its assets associated with the UKMP, and South32 contributing a subscription price payment of US\$145 million, to the Joint Venture.

Significant Developments in 2018

- On February 20, 2018, we issued a press release to announce Pre-Feasibility study (“PFS”) results and reserves for the Arctic Project. The PFS was based on a conventional 10,000 tonnes per day truck and shovel, single open pit mine and mill design. The sulphide flotation concentration circuit would produce copper, zinc and lead concentrates at recoveries of 90%, 91.7% and 80% for copper, zinc and lead, respectively. The PFS indicates a pre-tax net present value (“NPV”) of \$1,935.2 million, with an internal rate of return of 38% based on projected long-term metal prices of \$3.00/lb copper, \$1.10/lb zinc, \$1.00/lb lead and \$18.00/oz silver. See the 2018 Arctic Report and “*Properties*” for additional information.
- On April 6, 2018, we filed the corresponding technical report for the Company’s Arctic Project entitled “Arctic Project, Northwest Alaska, USA, NI 43-101 Technical Report on Pre-Feasibility Study” with an effective date of February 20, 2018, prepared by Ausenco Engineering Canada Inc. (the “2018 Arctic Report”). The technical report describes the PFS on the Arctic Project as discussed above. The 2018 Arctic Report supersedes the Company’s 2017 Arctic Report (as defined below).
- On April 20, 2018, we issued a press release to announce the closing of our bought deal financing. The funds raised consisted of 24,784,482 Common Shares issued at \$1.16 per share resulting in aggregate gross proceeds of approximately \$28.7 million.
- On June 5, 2018, we issued a press release to announce the release of a maiden inferred cobalt resource of 77 million pounds for the Bornite Project. At a base case of 0.50% copper cut-off grade, the Bornite Project is estimated to contain in-pit inferred resources of 124.6 million tonnes grading at 0.017% Co, resulting in 45 million pounds of contained cobalt. Below the pit shell and at a base case copper cut-off grade of 1.5%, the Bornite Project is estimated to contain an additional inferred resource of 57.8 million tonnes grading 0.025% Co, resulting in an additional 32 million pounds of contained cobalt.
- On July 20, 2018, we filed the corresponding technical report for the Company’s Bornite Project entitled “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” prepared by BD Resource Consulting, Inc., SIM Geological Inc., and International Metallurgical & Environmental Inc. (the “2018 Bornite Report”). The 2018 Bornite Report supersedes the Company’s previous report on the Bornite Project entitled “Amended NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated October 12, 2017 with an effective date of April 19, 2016 (the “2017 Bornite Report”) prepared by BD Resource Consulting, Inc., SIM Geological Inc., and International Metallurgical & Environmental Inc.
- On December 14, 2017, we announced that South32 has committed to fund the \$10 million 2018 program and budget for the Bornite Project. The funds, which represented the second tranche of \$10 million, maintained the South32 Option Agreement in good standing, and was fully received by Trilogy on January 24, 2018.

Significant Developments in 2017

- On March 6, 2017, we announced that the permitting process is advancing on the AMDIAP. The Notice of Intent initiating the permitting process under the National Environmental Policy Act for the preparation of an EIS on the AMDIAP was published on February 28, 2017 by the Bureau of Land Management (“BLM”) in the U.S. Federal Register. The BLM is the lead Federal agency for the EIS. The notice initiates the public scoping process for the EIS and comments were due by January 31, 2018.
- On April 10, 2017, we entered into an option agreement, as amended (the “South32 Option Agreement”) with South32 Group Operations Pty Ltd (“South32 Operations”), a wholly-owned subsidiary of South32 Limited, which agreement was later assigned by South32 Operations to its affiliate, South32 USA Exploration Inc. (together with South32 Operations, “South32”). The South32 Option Agreement granted to South32 a three-year option to form a 50/50 joint venture with respect to Trilogy’s

Alaskan assets which includes the Upper Kobuk Mineral Projects. South32 was required to contribute a minimum of \$10 million each year, for a maximum of three years, to keep the option in good standing (the “Initial Funding”). South32 was permitted to exercise its option at any time to form the 50/50 Joint Venture until the option expiration date. Provided that all the exploration data and information related to approved programs had been made available to South32 by no later than December 31 of each year in respect of the first two years, South32 was required to decide by January 31 of the following year whether; (i) to fund a further tranche of a minimum of \$10 million, or (ii) to withdraw and not provide any further annual funding. If the election to fund a further tranche was not made in January, South32 had until the end of March to exercise the option to form the Joint Venture and make the subscription payment. If South32 elected to exercise the option, the subscription price less certain deductions for Initial Funding was to be paid in one tranche within 45 business days. Had South32 not made its annual minimum payment or elected to withdraw, the option would lapse and South32 would have no claim to ownership or to the funds it had already spent. In order to exercise its option to form the Joint Venture, South32 was required to contribute a minimum of \$150 million, plus (i) any amounts Trilogy spent on matched parallel funding to a maximum of \$16 million over the three year period and (ii) \$5 million if the option was exercised between April 1, 2018 and March 31, 2019 or \$10 million if the option was exercised between April 1, 2019 and the expiration date of the option, less the amount of the Initial Funding contributed by South32. South32 made the option payment for the first year and the funds were used for a \$10 million exploration program in 2017 at the Bornite Project. On December 19, 2019, we issued a press release announcing that South32 had elected to exercise its option under the South32 Option Agreement, see “*Significant Developments in 2019*” above for additional information.

- On December 11, 2017, we announced the appointment of Mr. William Iggiagruk Hensley to the Company’s board of directors (the “Board”).

History of Trilogy

Spin-Out

We were formerly a wholly-owned subsidiary of NovaGold Resources Inc. (“NovaGold”). At a special meeting of securityholders of NovaGold held on March 28, 2012, the securityholders voted in favour of a special resolution approving the distribution of Common Shares of Trilogy to the shareholders of NovaGold as a return of capital through a statutory Plan of Arrangement under the *Companies Act* (Nova Scotia).

On April 30, 2012, all of the outstanding Trilogy Common Shares were distributed to shareholders of NovaGold such that each NovaGold shareholder of record at the close of business on April 27, 2012 received one Trilogy Common Share for every six common shares in the capital of NovaGold held at that time. The Trilogy Common Shares were listed and posted for trading on the TSX and on the NYSE American (formerly the NYSE MKT) under its previous symbol, NCQ, and former name, NovaCopper Inc., on April 25, 2012.

Name Change

We changed our corporate name to Trilogy Metals Inc. from NovaCopper Inc. in 2016 to better reflect the diversity of minerals at our UKMP Projects. On September 8, 2016, upon the opening of the markets our shares began trading on the TSX and the NYSE American under the symbol “TMQ”.

Agreement with NANA Regional Corporation

On October 19, 2011, NANA Regional Corporation, Inc. (“NANA”), an Alaska Native Corporation headquartered in Kotzebue, Alaska, and Trilogy Metals US entered an Exploration Agreement and Option Agreement, as amended (the “NANA Agreement”) for the cooperative development of NANA’s respective resource interests in the Ambler mining district of Northwest Alaska. The NANA Agreement consolidates our and NANA’s land holdings into an approximately 142,831-hectare land package and provides a framework for the exploration and any future development of this high-grade and prospective poly-metallic belt.

The NANA Agreement grants Trilogy Metals US the nonexclusive right to enter on, and the exclusive right to explore, the Bornite lands and the Alaska Native Claims Settlement Act (“ANCSA”) lands (each as defined in the NANA Agreement) and in connection therewith, to construct and utilize temporary access roads, camps, airstrips and other incidental works. In consideration for this right, Trilogy Metals US paid to NANA \$4 million in cash. Trilogy Metals US is also required to make payments to NANA for scholarship purposes

in accordance with the terms of the NANA Agreement. Trilogy Metals US has further agreed to use reasonable commercial efforts to train and employ NANA shareholders to perform work for Trilogy Metals US in connection with its operations on the Bornite lands, ANCSA lands and Ambler lands (as defined in the NANA Agreement) (collectively, the “Lands”). The NANA Agreement has a term of 20 years, with an option in favour of Trilogy Metals US to extend the term for an additional 10 years. The NANA Agreement may be terminated by mutual agreement of the parties or by NANA if Trilogy Metals US does not meet certain expenditure requirements on the Bornite lands and ANCSA lands.

If, following receipt of a feasibility study and the release for public comment of a related draft environmental impact statement, we decide to proceed with construction of a mine on the Lands, Trilogy Metals US will notify NANA in writing and NANA will have 120 days to elect to either (a) exercise a non-transferrable back-in-right to acquire an undivided ownership interest between 16% and 25% (as specified by NANA) of that specific project; or (b) not exercise its back-in-right, and instead receive a net proceeds royalty equal to 15% of the net proceeds realized by Trilogy Metals US from such project (following the recoupment by Trilogy Metals US of all costs incurred, including operating, capital and carrying costs). The cost to exercise such back-in-right is equal to the percentage interest in the project multiplied by the difference between (i) all costs incurred by Trilogy Metals US or its affiliates on the project, including historical costs incurred prior to the date of the NANA Agreement together with interest on the costs; and (ii) \$40 million (subject to exceptions). This amount will be payable by NANA to Trilogy Metals US in cash at the time the parties enter into a joint venture agreement and in no event will the amount be less than zero.

In the event that NANA elects to exercise its back-in-right, the parties will as soon as reasonably practicable form a joint venture, with NANA’s interest being between 16% to 25% and Trilogy Metals US owning the balance of the interest in the joint venture. Upon formation of the joint venture, the joint venture will assume all of the obligations of Trilogy Metals US and be entitled to all the benefits of Trilogy Metals US under the NANA Agreement in connection with the mine to be developed and the related Lands. A party’s failure to pay its proportionate share of costs in connection with the joint venture will result in dilution of its interest. Each party will have a right of first refusal over any proposed transfer of the other party’s interest in the joint venture other than to an affiliate or for the purposes of granting security. A transfer by either party of any net proceeds royalty interest in a project other than for financing purposes will also be subject to a first right of refusal. A transfer of NANA’s net smelter return on the Lands is subject to a first right of refusal by Trilogy Metals US.

In connection with possible development of a mine on the Bornite lands or ANCSA lands, Trilogy Metals US and NANA will execute a mining lease to allow Trilogy Metals US or the joint venture to construct and operate a mine on the Bornite lands or ANCSA lands. These leases will provide NANA a 2% net smelter royalty as to production from the Bornite lands and a 2.5% net smelter royalty as to production from the ANCSA lands. If Trilogy Metals US decides to proceed with construction of a mine on the Ambler lands, NANA will enter into a surface use agreement with Trilogy Metals US which will afford Trilogy Metals US access to the Ambler lands along routes approved by NANA on the Bornite lands or ANCSA lands. In consideration for the grant of such surface use rights, Trilogy Metals US will grant NANA a 1% net smelter royalty on production and an annual payment of \$755 per acre (as adjusted for inflation each year beginning with the second anniversary of the effective date of the NANA Agreement and for each of the first 400 acres (and \$100 for each additional acre) of the lands owned by NANA and used for access which are disturbed and not reclaimed.

We have formed an oversight committee with NANA, which consists of four representatives from each of Trilogy and NANA (the “Oversight Committee”). The Oversight Committee is responsible for certain planning and oversight matters carried out by us under the NANA Agreement. The planning and oversight matters that are the subject of the NANA Agreement will be determined by majority vote. The representatives of each of Trilogy and NANA attending a meeting will have one vote in the aggregate and in the event of a tie, the Trilogy representatives jointly shall have a deciding vote on all matters other than Subsistence Matters, as that term is defined in the NANA Agreement. There shall be no deciding vote on Subsistence Matters and we may not proceed with such matters unless approved by majority vote of the Oversight Committee or with the consent of NANA, such consent not to be unreasonably withheld or delayed.

Principal Markets

We do not currently have a principal market. Our principal objective is to become a producer of copper.

Specialized Skill and Knowledge

All aspects of our business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mining and accounting. See “*Executive Officers of Trilogy*” for details as to the specific skills and knowledge of our directors and management.

Environmental Protection

Mining is an extractive industry that impacts the environment. Our goal is to evaluate ways to minimize that impact and to develop safe, responsible and profitable operations by developing natural resources for the benefit of our employees, shareholders and communities and maintain high standards for environmental performance at our UKMP Projects. We strive to meet or exceed environmental standards at our UKMP Projects. One way we do this is through collaborations with local communities in Alaska, including Native Alaskan groups. Our environmental performance will be overseen at the Board level and environmental performance is the responsibility of the project manager. For a more detailed discussion of the various government laws and regulations applicable to our operations and potential negative effects of these laws and regulations, see section 1A. *Risk Factors*, below.

- All new activities and operations will be managed for compliance with applicable laws and regulations. In the absence of regulation, best management practices will be applied to manage environmental risk.
- We will strive to limit releases to the air, land or water and appropriately treat and dispose of waste.

Employees

As of November 30, 2019, we had 13 full-time employees, 8 of whom were employed at our executive office in Vancouver, BC. The number of individuals employed by us fluctuates throughout the year depending on the season; however, during 2019, we had, on average, 34 employees working for us. We have entered into executive employment agreements with two individuals, the CEO and CFO (each as defined herein).

We believe our success is dependent on the performance of our management and key employees, many of whom have specialized skills in exploration in Alaska and the base metals industry. Substantially all of our exploration site employees have been active in the Ambler mining district for the last five years and are knowledgeable as to the geology, metallurgy and infrastructure related to mining development.

Information About Our Executive Officers

As of November 30, 2019, we had two executive officers, namely James Gowans and Elaine Sanders. The following information is presented as of November 30, 2019.

<u>Name and Residence</u>	<u>Age</u>	<u>Held Office Since</u>	<u>Business Experience During Past Five Years</u>
James Gowans British Columbia, Canada <i>Director, Interim President and Chief Executive Officer</i>	68	September 4, 2019 ⁽¹⁾	Interim Chief Executive Officer of Trilogy (2019 – present); President and Chief Executive Officer of Arizona Mining Inc. (2016 – 2018)
Elaine Sanders British Columbia, Canada <i>VP, Chief Financial Officer and Corporate Secretary</i>	50	January 30, 2012 ⁽²⁾	Vice President and Chief Financial Officer of Trilogy (2012 – present); Corporate Secretary of Trilogy (2011 – present)

⁽¹⁾ Mr. Gowans was appointed Interim President and Chief Executive Officer on September 4, 2019.

⁽²⁾ Ms. Sanders was appointed Chief Financial Officer on January 30, 2012. She became a full-time employee of the Company on November 13, 2012.

Segment Information

The Company's reportable segments are based on geographic region for the Company's operations. Segment information relating to our assets is provided under the section heading "*Item 8. Financial Statements and Supplementary Data*" below.

Competitive Conditions

The mineral exploration and development industry is competitive in all phases of exploration, development and production. There is a high degree of competition faced by us in Alaska and elsewhere for skilled management employees, suitable contractors for drilling operations, technical and engineering resources, and necessary exploration and mining equipment, and many of these competitor companies have greater financial resources, operational expertise, and/or more advanced properties than us. Additionally, our operations

are in a remote location where skilled resources and support services are limited. We have in place experienced management personnel and continue to evaluate the required expertise and skills to carry out our operations. As a result of this competition, we may be unable to achieve our exploration and development in the future on terms we consider acceptable or at all. See “*Item 1A. Risk Factors.*”

Available Information

We make available, free of charge, on or through our website, at www.trilogymetals.com our Annual Report on Form 10-K, which includes our audited financial statements, our Quarterly Reports on Form 10-Q, and our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. The SEC maintains a website that contains reports, proxy and information statements, and other information at www.sec.gov. Our website and the information contained therein or connected thereto are not intended to be, and are not incorporated into this Annual Report on Form 10-K.

Item 1A. RISK FACTORS

Investing in our securities is speculative and involves a high degree of risk due to the nature of our business and the present stage of exploration of our mineral properties. The following risk factors, as well as risks currently unknown to us, could materially adversely affect our future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking information relating to Trilogy, or our business, property or financial results, each of which could cause purchasers of securities to lose all or part of their investments.

None of our mineral properties are in production or under development.

We have no history of commercially producing precious or base metals and all of our properties are in the exploration stage. We have no proven or probable reserves on our Upper Kobuk Mineral Projects, as defined in SEC Industry Guide 7. Mineral exploration involves significant risk, since few properties that are explored contain bodies of ore that would be commercially economic to develop into producing mines. We cannot assure you that we will establish the presence of any measured resources or proven or probable reserves at the Upper Kobuk Mineral Projects, or any other properties. The failure to establish proven or probable reserves would severely restrict our ability to implement our strategies for long-term growth. See “*Cautionary Note to United States Investors*”.

We may not have sufficient funds to develop our mineral projects or to complete further exploration programs.

We have limited financial resources. We currently generate no mining operating revenue and must primarily finance exploration activity and the development of mineral projects by other means. In the future, our ability to continue exploration, development and production activities, if any, will depend on our ability to obtain additional external financing. Any unexpected costs, problems or delays could severely impact our ability to continue exploration and development activities. The failure to meet ongoing obligations on a timely basis could result in a loss or a substantial dilution of our interests in projects.

The sources of external financing that we may use for these purposes include project or bank financing or public or private offerings of equity and debt. In addition, we may enter into one or more strategic alliances or joint ventures, sell marketable securities held by the Company, decide to sell certain property interests, or utilize one or a combination of all of these alternatives. The financing alternative we choose may not be available on acceptable terms, or at all. If additional financing is not available, we may have to postpone further exploration or development of, or sell, one or more of our principal properties.

Even if one of our mineral projects is determined to be economically viable to develop into a mine, such development may not be successful.

If the development of one of our projects is found to be economically feasible and approved by our Board, such development will require obtaining permits and financing, the construction and operation of mines, processing plants and related infrastructure, including road access. As a result, we are and will continue to be subject to all of the risks associated with establishing new mining operations, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities and related infrastructure;
- the availability and cost of skilled labor and mining equipment;

- the availability and cost of appropriate smelting and refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits and the timing of the receipt of those approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent development activities; and
- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies.

The costs, timing and complexities of developing our projects may be greater than anticipated because our property interests are not located in developed areas, and, as a result, our property interests are not currently served by appropriate road access, water and power supply and other support infrastructure. Cost estimates may increase significantly as more detailed engineering work is completed on a project. It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the early stages of mineral production often occur. Accordingly, we cannot provide assurance that we will ever achieve, or that our activities will result in, profitable mining operations at our mineral properties.

In addition, there can be no assurance that our mineral exploration activities will result in any discoveries of new mineralization. If further mineralization is discovered there is also no assurance that the mineralization would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors which are beyond our control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

The Upper Kobuk Mineral Projects are located in a remote area of Alaska, and access to them is limited. Exploration and any future development or production activities may be limited and delayed by infrastructure challenges, inclement weather and a shortened exploration season.

The Upper Kobuk Mineral Projects are located in a remote area of Alaska. Access to the Upper Kobuk Mineral Projects is limited and there is currently no infrastructure in the area.

We cannot provide assurances that the proposed AMDIAP that would provide access to the Ambler mining district will be permitted or built, that it will be built in a timely manner, that the cost of accessing the proposed road will be reasonable, that it will be built in the manner contemplated, or that it will sufficiently satisfy the requirements of the Upper Kobuk Mineral Projects. In addition, successful development of the Upper Kobuk Mineral Projects will require the development of the necessary infrastructure. If adequate infrastructure is not available in a timely manner, there can be no assurance that:

- the development of the Upper Kobuk Mineral Projects will be commenced or completed on a timely basis, if at all;
- the resulting operations will achieve the anticipated production volume; or
- the construction costs and operating costs associated with the development of the Upper Kobuk Mineral Projects will not be higher than anticipated.

As the Upper Kobuk Mineral Projects are located in a remote area, exploration, development and production activities may be limited and delayed by inclement weather and a shortened exploration season.

We are dependent on a third party that participates in exploration and development of our Upper Kobuk Mineral Projects.

In December 2019, South32 exercised its option to acquire a 50% interest in the Joint Venture that will own the Upper Kobuk Mineral Projects. This formation of the Joint Venture was completed in early February. Our success with respect to the Upper Kobuk Mineral Projects depends on the efforts and expertise of South32 with whom we have contracted; we hold a 50% interest and the remaining 50% interest is held by South32, who is not under our control or direction. We are dependent on them for the progress and development of the Upper Kobuk Mineral Projects. South32 may also have different priorities which could impact the timing and cost of development

of the Upper Kobuk Mineral Projects. The third party may also be in default of its agreement with us, without our knowledge, which may put the mineral property and related assets at risk. The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on our ability to achieve our business plan, profitability, or the viability of our interests held with the third party, which could have a material adverse impact on our business, future cash flows, earnings, results of operations and financial condition: (i) disagreement with our business partner on how to develop and operate the Upper Kobuk Mineral Projects efficiently; (ii) inability to exert influence over certain strategic decisions made in respect of the jointly-held Upper Kobuk Mineral Projects; (iii) inability of our business partner to meet its obligations to the joint business or third parties; and (iv) litigation with our business partner regarding joint business matters.

We have no history of production and no revenue from mining operations.

We have a very limited history of operations and to date have generated no revenue from mining operations. As such, we are subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of significant revenues. There is no assurance that the Upper Kobuk Mineral Projects, or any other future projects will be commercially mineable, and we may never generate revenues from our mining operations.

Future sales or issuances of equity securities could decrease the value of any existing Common Shares, dilute investors' voting power and reduce our earnings per share.

We may sell additional equity securities (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance our operations, exploration, development, acquisitions or other projects. We are authorized to issue an unlimited number of Common Shares. We cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per share.

Changes in the market price of copper, zinc and other metals, which in the past have fluctuated widely, will affect our ability to finance continued exploration and development of our projects and affect our operations and financial condition.

Our long-term viability will depend, in large part, on the market price of copper, zinc and other metals. The market prices for these metals are volatile and are affected by numerous factors beyond our control, including:

- global or regional consumption patterns;
- the supply of, and demand for, these metals;
- speculative activities;
- the availability and costs of metal substitutes;
- expectations for inflation; and
- political and economic conditions, including interest rates and currency values.

We cannot predict the effect of these factors on metal prices. A decrease in the market price of copper, zinc and other metals could affect our ability to raise funds to finance the exploration and development of any of our mineral projects, which would have a material adverse effect on our financial condition and results of operations. The market price of copper, zinc and other metals may not remain at current levels. In particular, an increase in worldwide supply, and consequent downward pressure on prices, may result over the longer term from increased copper production from mines developed or expanded as a result of current metal price levels. There is no assurance that a profitable market may exist or continue to exist.

We will incur losses for the foreseeable future.

We expect to incur losses unless and until such time as our mineral projects generate sufficient revenues to fund continuing operations. The exploration and development of our mineral properties will require the commitment of substantial financial resources that may not be available.

The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and the acquisition of additional property interests, some of which are beyond our control. We cannot provide assurance that we will ever achieve profitability.

Mineral resource and reserve calculations are only estimates.

Any figures presented for mineral resources or reserves in this Form 10-K and in our other filings with securities regulatory authorities and those which may be presented in the future are and will only be estimates. There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources. Until mineral reserves or mineral resources are actually mined and processed, the quantity of metal and grades must be considered as estimates only and no assurances can be given that the indicated levels of metals will be produced. In making determinations about whether to advance any of our projects to development, we must rely upon estimated calculations as to the mineral resources or reserves and grades of mineralization on our properties.

The estimating of mineral reserves and mineral resources is a subjective process that relies on the judgment of the persons preparing the estimates. The process relies on the quantity and quality of available data and is based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While we believe that the mineral resource estimates included in this Form 10-K for the Upper Kobuk Mineral Projects are well-established and reflect management's best estimates, by their nature mineral resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. There can be no assurances that actual results will meet the estimates contained in feasibility studies or pre-feasibility studies. As well, further studies are required.

Estimated mineral reserves or mineral resources may have to be recalculated based on changes in metal prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral reserve or mineral resource estimates. The extent to which mineral resources may ultimately be reclassified as mineral reserves is dependent upon the demonstration of their profitable recovery. Any material changes in mineral resource estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital. We cannot provide assurance that mineralization can be mined or processed profitably.

Our mineral resource estimates have been determined and valued based on assumed future metal prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for copper, zinc, lead, gold and silver may render portions of our mineralization uneconomic and result in reduced reported mineral resources, which in turn could have a material adverse effect on our results of operations or financial condition. We cannot provide assurance that mineral recovery rates achieved in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale.

A reduction in any mineral reserves that may be estimated by us could have an adverse impact on our future cash flows, earnings, results of operations and financial condition. No assurances can be given that any mineral resource estimates for the Upper Kobuk Mineral Projects will ultimately be reclassified as mineral reserves. See "*Cautionary Note to United States Investors.*"

Significant uncertainty exists related to inferred mineral resources.

There is a risk that inferred mineral resources referred to in this Form 10-K cannot be converted into measured or indicated mineral resources as there may be limited ability to assess geological continuity. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration. See "*Cautionary Note to United States Investors.*"

Mining is inherently risky and subject to conditions or events beyond our control.

The development and operation of a mine is inherently dangerous and involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome, including:

- unusual or unexpected geological formations;
- metallurgical and other processing problems;
- metal losses;
- environmental hazards;
- power outages;
- labor disruptions;
- industrial accidents;
- periodic interruptions due to inclement or hazardous weather conditions;
- flooding, explosions, fire, rockbursts, cave-ins and landslides;
- mechanical equipment and facility performance problems; and
- the availability of materials and equipment.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, including to our employees, environmental damage, delays in mining, increased production costs, asset write downs, monetary losses and possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums, or at all. Insurance against certain environmental risks, including potential liability for pollution and other hazards associated with mineral exploration and production, is not generally available to companies within the mining industry. We may suffer a material adverse effect on our business if we incur losses related to any significant events that are not covered by our insurance policies.

General economic conditions may adversely affect our growth, future profitability and ability to finance.

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the copper mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A worsening or slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect our growth and ability to finance. Specifically:

- the volatility of copper, zinc, lead and other metal prices would impact our estimates of mineral resources, revenues, profits, losses and cash flow, and the feasibility of our projects;
- negative economic pressures could adversely impact demand for our future production, if any;
- construction related costs could increase and adversely affect the economics of any project;
- volatile energy, commodity and consumables prices and currency exchange rates could impact our estimated production costs; and

- the devaluation and volatility of global stock markets would impact the valuation of our equity and other securities.

We cannot provide assurance that we will successfully acquire commercially mineable mineral rights.

Exploration for and development of copper properties involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling, constructing mining and processing facilities at a site, developing metallurgical processes and extracting metals from ore. We cannot ensure that our current exploration and development programs will result in profitable commercial mining operations.

The economic feasibility of development projects is based upon many factors, including the accuracy of mineral resource estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting and environmental protection; and metal prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Most exploration projects do not result in the discovery of commercially mineable ore deposits, and no assurance can be given that any anticipated level of recovery of ore reserves, if any, will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of mineral reserves, mineral resources, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, the metallurgy of the mineralization forming the mineral deposit, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, we may need to write-off part or all of our investment in our existing exploration stage properties and may need to acquire additional properties.

Material changes in mineral reserves, if any, grades, stripping ratios or recovery rates may affect the economic viability of any project. Our future growth and productivity will depend, in part, on our ability to develop commercially mineable mineral rights at our existing properties or identify and acquire other commercially mineable mineral rights, and on the costs and results of continued exploration and potential development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish mineral reserves through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to extract metal from the ore; and
- construct, renovate or expand mining and processing facilities.

In addition, if we discover ore, it would take several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. As a result of these uncertainties, there can be no assurance that we will successfully acquire commercially mineable (or viable) mineral rights.

We are subject to significant governmental regulations.

Our exploration activities are subject to extensive federal, state, provincial and local laws and regulations governing various matters, including:

- environmental protection;
- the management and use of toxic substances and explosives;
- the management of natural resources;
- the exploration and development of mineral properties, including reclamation;
- exports;

- price controls;
- taxation and mining royalties;
- management of tailing and other waste generated by operations;
- labor standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining, curtailing or closing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in significant expenditures. We may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause us to incur additional expense or capital expenditure restrictions, suspensions or closing of our activities and delays in the exploration and development of our properties.

We require further permits in order to conduct current and anticipated future operations, and delays in obtaining or failure to obtain such permits, or a failure to comply with the terms of any such permits that we have obtained, would adversely affect our business.

Our current and anticipated future operations, including further exploration, development and commencement of production on our mineral properties, require permits from various governmental authorities. Obtaining or renewing governmental permits is a complex and time-consuming process. The duration and success of efforts to obtain and renew permits are contingent upon many variables not within our control. Due to the preliminary stages of the Upper Kobuk Mineral Projects, it is difficult to assess what specific permitting requirements will ultimately apply.

Shortage of qualified and experienced personnel in the U.S. federal and Alaskan State agencies to coordinate a federally led joint environmental impact statement process could result in delays or inefficiencies. Backlog within the permitting agencies could affect the permitting timeline or potential of the Upper Kobuk Mineral Projects, as may negative public perception of mining projects in general due to circumstances unrelated to the Company and outside of its control. Other factors that could affect the permitting timeline include (i) the number of other large-scale projects currently in a more advanced stage of development which could slow down the review process for the Upper Kobuk Mineral Projects and (ii) significant public response regarding the Upper Kobuk Mineral Projects.

We cannot provide assurance that all permits that we require for our operations, including any for construction of mining facilities or conduct of mining, will be obtainable or renewable on reasonable terms, or at all. Delays or a failure to obtain such required permits, or the expiry, revocation or failure to comply with the terms of any such permits that we have obtained, would adversely affect our business.

Our activities are subject to environmental laws and regulations that may increase our costs and restrict our operations.

All of our exploration, potential development and production activities are subject to regulation by governmental agencies under various environmental laws. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Environmental legislation is evolving, and the general trend has been towards stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on our behalf and may cause material changes or delays in our intended activities.

Several regulatory initiatives are currently ongoing within the State of Alaska that have the potential to influence the permitting process for the Upper Kobuk Mineral Projects. These include revisions to Alaska's Water Quality Standards regarding mixing zones regulations, which are currently under EPA review, and which revisions may be required in order to authorize a mixing zone for discharge in Subarctic Creek. Future changes in these laws or regulations could have a significant adverse impact on some portion of our business, requiring us to re-evaluate those activities at that time.

Environmental hazards may exist on our properties that are unknown to us at the present time and that have been caused by previous owners or operators or that may have occurred naturally. We may be liable for remediating such damage.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Land reclamation requirements for our exploration properties may be burdensome.

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to:

- treat ground and surface water to drinking water standards;
- control dispersion of potentially deleterious effluents; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with exploration, potential development and production activities, we must allocate financial resources that might otherwise be spent on further exploration and development programs. In addition, regulatory changes could increase our obligations to perform reclamation and mine closing activities. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

Title and other rights to our properties may be subject to challenge.

We cannot provide assurance that title to our properties will not be challenged. We (directly or indirectly) own mineral claims which constitute our property holdings. We may not have, or may not be able to obtain, all necessary surface rights to develop a property. Title insurance is generally not available for mineral properties and our ability to ensure that we have obtained a secure claim to individual mining properties may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. We have not conducted surveys of all of the claims in which we hold direct or indirect interests. A successful claim contesting our title to a property will cause us to lose our rights to explore and, if warranted, develop that property or undertake or continue production thereon. This could result in our not being compensated for our prior expenditures relating to the property. In addition, our ability to continue to explore and develop the property may be subject to agreements with other third parties including agreements with native corporations and first nations groups, for instance, the lands at the Upper Kobuk Mineral Projects are subject to the NANA Agreement (as more particularly described under “*History of Trilogy – Agreement with NANA Regional Corporation*”).

Risks inherent in acquisitions of new properties.

We may actively pursue the acquisition of exploration, development and production assets consistent with our acquisition and growth strategy. From time to time, we may also acquire securities of or other interests in companies with respect to which we may enter into acquisitions or other transactions. Acquisition transactions involve inherent risks, including but not limited to:

- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- ability to achieve identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of our key employees or key employees of any business acquired;

- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition;
- decline in the value of acquired properties, companies or securities;
- assimilating the operations of an acquired business or property in a timely and efficient manner;
- maintaining our financial and strategic focus while integrating the acquired business or property;
- implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and
- to the extent that we make an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place increased pressure on our cash flow if such acquisitions involve a cash consideration. The integration of our existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require us to incur significant costs in connection with, among other things, implementing financial and planning systems. We may not be able to integrate the operations of a recently acquired business or restructure our previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from our management team, which may detract attention from our day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on our business, operating results, financial condition and the price of our Common Shares. In addition, the acquisition of mineral properties may subject us to unforeseen liabilities, including environmental liabilities, which could have a material adverse effect on us. There can be no assurance that any future acquisitions will be successfully integrated into our existing operations.

Any one or more of these factors or other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies and could have a material adverse effect on our financial condition.

High metal prices in past years have encouraged increased mining exploration, development and construction activity, which has increased demand for, and cost of, exploration, development and construction services and equipment.

The relative strength of metal prices in past years has encouraged increases in mining exploration, development and construction activities around the world, which has resulted in increased demand for, and cost of, exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could result in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability and may cause scheduling difficulties due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development and/or construction costs.

We face industry competition in the acquisition of exploration properties and the recruitment and retention of qualified personnel.

We compete with other exploration and producing companies, many of which are better capitalized, have greater financial resources, operational experience and technical capabilities or are further advanced in their development or are significantly larger and have access to greater mineral reserves, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. If we require and are unsuccessful in acquiring additional mineral properties or in recruiting and retaining qualified personnel, we will not be able to grow at the rate we desire, or at all.

We may experience difficulty attracting and retaining qualified management and technical personnel to grow our business.

We are dependent on the services of key executives and other highly skilled and experienced personnel to advance our corporate objectives as well as the identification of new opportunities for growth and funding. Mr. Gowans and Ms. Sanders are currently our only executive officers. It will be necessary for us to recruit additional skilled and experienced executives. Our inability to do so, or the loss of any of these persons or our inability to attract and retain suitable replacements for them, or additional highly skilled employees required for our activities, would have a material adverse effect on our business and financial condition.

Some of our directors and officers have conflicts of interest as a result of their involvement with other natural resource companies.

Certain of our directors and officers also serve as directors or officers, in other companies involved in natural resource exploration and development or mining-related activities, including, in particular, NovaGold. To the extent that such other companies may participate in ventures in which we may participate in, or in ventures which we may seek to participate in, our directors and officers may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where our directors and officers have an interest in other companies, such other companies may also compete with us for the acquisition of mineral property investments. Any decision made by any of these directors and officers involving Trilogy will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Trilogy and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which these directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Nonetheless, as a result of these conflicts of interest, the Company may not have an opportunity to participate in certain transactions, which may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

In the future, we may be subject to legal proceedings.

Due to the nature of our business, we may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of our business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on our business.

Our largest shareholder has significant influence on us and may also affect the market price and liquidity of the securities.

Electrum Strategic Opportunities Fund L.P. ("Electrum") is our single largest shareholder, controlling approximately 21% of the outstanding voting securities. Accordingly, Electrum will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets and other significant corporate actions. Unless significant participation of other shareholders takes place in such shareholder meetings, Electrum may be able to approve such matters itself. The concentration of ownership of the shares by Electrum may: (i) delay or deter a change of control of the Company; (ii) deprive shareholders of an opportunity to receive a premium for their shares as part of a sale of the Company; and (iii) affect the market price and liquidity of the shares. Without the consent of Electrum, we could be prevented from entering into transactions that are otherwise beneficial to us. The interests of Electrum may differ from or be adverse to the interests of our other shareholders. The effect of these rights and Electrum's influence may impact the price that investors are willing to pay for securities. If Electrum sells a substantial number of shares in the public market, the market price of the shares could fall. The perception among the public that these sales will occur could also contribute to a decline in the market price of the shares.

Global climate change is an international concern and could impact our ability to conduct future operations.

Global climate change is an international issue and receives an enormous amount of publicity. We would expect that the imposition of international treaties or U.S. or Canadian federal, state, provincial or local laws or regulations pertaining to mandatory reductions in energy consumption or emissions of greenhouse gasses could affect the feasibility of our mining projects and increase our operating costs.

Adverse publicity from non-governmental organizations could have a material adverse effect on us.

There is an increasing level of public concern relating to the effect of mining production on our surroundings, communities and environment. Non-governmental organizations ("NGOs"), some of which oppose resource development, are often vocal critics of the mining industry. While we seek to operate in a socially responsible manner, adverse publicity generated by such NGOs related to extractive industries, or our operations specifically, could have an adverse effect on our reputation and financial condition or our relationship with the communities in which we operate.

We may fail to achieve and maintain the adequacy of our internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act.

We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of SOX. It requires an annual assessment by management of the effectiveness of our internal control over financial reporting. We may in the future fail to achieve and maintain the adequacy of our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, and we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of SOX. Our failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our Common Shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Future acquisitions of companies may provide us with challenges in implementing the required processes, procedures and controls in our acquired operations. Acquired companies may not have disclosure control and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to us.

Our business is subject to evolving corporate governance and public disclosure regulations that have increased both our compliance costs and the risk of noncompliance, which could have an adverse effect on our stock price.

We are subject to changing rules and regulations promulgated by a number of United States and Canadian governmental and self-regulated organizations, including the SEC, the Canadian Securities Administrators, the NYSE American, the TSX, and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by the United States Congress, making compliance more difficult and uncertain. Our efforts to comply with new rules and regulations, including those promulgated under Dodd-Frank, have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our Common Shares are subject to various factors that have historically made share prices volatile.

The market price of our Common Shares may be subject to large fluctuations, which may result in losses to investors. The market price of the Common Shares may increase or decrease in response to a number of events and factors, including: our operating performance and the performance of competitors and other similar companies; volatility in metal prices; the arrival or departure of key personnel; the number of Common Shares to be publicly traded after an offering; the public's reaction to our press releases, material change reports, other public announcements and our filings with the various securities regulatory authorities; changes in earnings estimates or recommendations by research analysts who track the Common Shares or the shares of other companies in the resource sector; changes in general economic and/or political conditions; acquisitions, strategic alliances or joint ventures involving us or our competitors; and the factors listed under the heading "*Cautionary Statement Regarding Forward-Looking Information.*"

The market price of the Common Shares may be affected by many other variables which are not directly related to our success and are, therefore, not within our control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the Common Shares and the attractiveness of alternative investments.

We do not intend to pay any cash dividends in the foreseeable future.

We have not declared or paid any dividends on our Common Shares. Our current business plan requires that for the foreseeable future, any future earnings be reinvested to finance the growth and development of our business. We do not intend to pay cash dividends on the Common Shares in the foreseeable future. We will not declare or pay any dividends until such time as our cash flow exceeds our capital requirements and will depend upon, among other things, conditions then existing including earnings, financial condition, restrictions in financing arrangements, business opportunities and conditions and other factors, or our Board determines that our shareholders could make better use of the cash.

We may be a "passive foreign investment company" in future periods, which may have adverse U.S. federal income tax consequences for U.S. shareholders.

U.S. investors in the Company should be aware that we believe we were not a passive foreign investment company ("PFIC") for the years ending November 30, 2015, 2016 and 2017 but we believe we were a PFIC for the years ending November 30, 2018 and 2019 and

may be a PFIC in future tax years. If we are a PFIC for any year during a U.S. Holder's (as defined below under *Certain U.S. Federal Income Tax Considerations – U.S. Holders*) holding period, then such U.S. Holder generally will be required to treat any gain realized upon a disposition of Common Shares and any so-called "excess distribution" received on its Common Shares as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "QEF Election" or a "Mark-to-Market Election" (each as defined below under "*Certain U.S. Federal Income Tax Considerations – Default PFIC Rules under Section 1291 of the Code*"). A U.S. Holder who makes a QEF Election generally must report on a current basis its share of our net capital gain and ordinary earnings for any year in which we are a PFIC, whether or not we distribute any amounts to our shareholders. A U.S. Holder who makes the Mark-to-Market Election generally must include as ordinary income each year the excess of the fair market value of the Common Shares over the U.S. Holder's tax basis therein. This paragraph is qualified in its entirety by the discussion below the heading "*Certain U.S. Federal Income Tax Considerations.*" Each U.S. shareholder should consult its own tax advisor regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

The following descriptions summarize selected information about our Upper Kobuk Mineral Projects, which are located in the Ambler mining district of Alaska and include the Arctic Project and the Bornite Project. All of the UKMP Projects are without known reserves, as defined under SEC Industry Guide 7, and all proposed programs for the properties are exploratory in nature. Please also see "*Management's Discussion and Analysis—Project Activities*" for more information on the development and nature of our interest in the Upper Kobuk Mineral Projects.

Arctic Project, Ambler Mining District, Alaska

Technical information in this Annual Report on Form 10-K regarding the Arctic Project is derived from the 2018 Arctic Report. The following summary is qualified in its entirety by reference to the full text of the 2018 Arctic Report. Investors are directed to review the full text of the 2018 Arctic Report, available for review on our profile on SEDAR at www.sedar.com and on the SEC's EDGAR website at www.sec.gov, for additional information. Capitalized terms used in this section but not otherwise defined herein shall have the meanings set out in the 2018 Arctic Report. See "*Cautionary Note to United States Investors.*"

Introduction

We commissioned Ausenco Engineering Canada Inc. ("Ausenco") to compile the 2018 Arctic Report, a technical report on the results of a Pre-Feasibility Study on the Arctic deposit, part of the Arctic Project in the Ambler mining district of Northwest Alaska.

The firms and consultants who are providing Qualified Persons responsible for the content of the 2018 Arctic Report, which is based on the Pre-Feasibility Study completed in 2018 (the "2018 PFS") and supporting documents prepared for the 2018 PFS, are, in alphabetical order, Amec Foster Wheeler Americas Ltd. ("Amec Foster Wheeler"); BD Resource Consulting, Inc., ("BDRC"); SRK Consulting (Canada) Inc. ("SRK"), and SIM Geological Inc.

Management Property Description and Location

The Arctic Project is located in the Ambler mining district of the southern Brooks Range, in the Northwest Arctic Borough ("NWAB") of Alaska. The property is geographically isolated with no current road access or nearby power infrastructure. The Arctic Project is located 270 km east of the town of Kotzebue, 36 km north of the village of Kobuk, and 260 km west of the Dalton Highway, an all-weather state-maintained highway.

NovaGold acquired the Arctic Project from Kennecott Exploration Company and Kennecott Arctic Company (collectively, "Kennecott") in 2004. In 2012, NovaGold transferred all copper projects to NovaCopper Inc. NovaCopper Inc. subsequently underwent a name change to Trilogy Metals Inc. in 2016. The Arctic Project comprises approximately 75,192 ha of State of Alaska mining claims and U.S. Federal patented mining claims in the Kotzebue Recording District. As of February 10, 2020, the Arctic Project land tenure consists

of 1,869 contiguous claims, including 905 40-acre State claims, 946 160-acre State claims, and 18 Federal patented claims comprising 272 acres (110 ha) held in the name of NovaCopper US Inc., a wholly owned subsidiary of Trilogy.

Surface use of the private land held as Federal patented claims is limited only by reservations in the patents and by generally-applicable environmental laws. Surface use of State claims allows the owner of the mining claim to make such use of the surface as is “necessary for prospecting for, extraction of, or basic processing of minerals.”

Under the Kennecott Purchase and Termination Agreement, Kennecott retained a 1% net smelter return (“NSR”) royalty that is purchasable at any time by Trilogy for a one-time payment of \$10 million.

NANA controls lands granted under the Alaska Native Claims Settlement Act (ANCSA) to the south of the Arctic Project boundary. Trilogy and NANA have entered into the NANA Agreement that consolidates Trilogy’s and NANA’s land holdings into an approximately 172,675 ha land package and provides a framework for the exploration and development of the area. The NANA Agreement has a term of 20 years, with an option in favour of Trilogy to extend the term for an additional 10 years. If, following receipt of a feasibility study and the release for public comment of a related draft environmental impact statement, Trilogy decides to proceed with construction of a mine on the lands subject to the NANA Agreement, NANA will have 120 days to elect to either (a) exercise a non-transferrable back-in-right to acquire between 16% and 25% (as specified by NANA) of that specific project; or (b) not exercise its back-in-right, and instead receive a net proceeds royalty equal to 15% of the net proceeds realized by Trilogy from such project. In the event that NANA elects to exercise its back-in-right, the parties will, as soon as reasonably practicable, form a joint venture with NANA electing to participate between 16% to 25%, and Trilogy owning the balance of the interest in the joint venture. If Trilogy decides to proceed with construction of a mine on its own lands subject to the NANA Agreement, NANA will enter into a surface use agreement with Trilogy which will afford Trilogy access to the Arctic Project along routes approved by NANA. In consideration for the grant of such surface use rights, Trilogy will grant NANA a 1% net smelter royalty on production and provide an annual payment on a per acre basis.

Trilogy has entered into the South32 Option Agreement whereby South32 had the right to form a 50/50 Joint Venture with respect to the Trilogy’s Alaskan assets including the Arctic Project. In December 2019, South32 exercised its option under the South32 Option Agreement and the completion of the Joint Venture occurred in February 2020. See “*Significant Developments in 2019*”. At such time, Trilogy transferred its Alaskan assets, including the Arctic Project, and South32 contributed a subscription price payment of \$145 million, to a newly formed Joint Venture.

Geology and Mineralization

The Arctic deposit is considered to be a polymetallic VMS deposit containing copper, lead, zinc, gold and silver mineralized material.

The Ambler mining district is located on the southern margin of the Brooks Range. Within the VMS belt, several deposits and prospects (including the Arctic deposit) are hosted in the Ambler Sequence, a group of Middle Devonian to Early Mississippian, metamorphosed, bimodal volcanic rocks with interbedded tuffaceous, graphitic, and calcareous volcanoclastic metasediments. The Ambler sequence occurs in the upper part of the regional Anirak Schist. VMS-style mineralization is found along the entire 110 km strike length of the district.

Stratigraphically, the Ambler Sequence consists of variably metamorphosed calc-turbidites, overlain by calcareous schists with irregularly distributed mafic sills and pillow lavas. These are overlain by the Arctic-sulphide host section which consists mainly of fine-grained, carbonaceous siliciclastic rocks which are in turn overlain by reworked silicic volcanic rocks, including meta-rhyolite porphyries and most notably the regionally extensive Button Schist with its characteristically large relic phenocrysts. Greywacke sandstones, interpreted to be turbidites, occur throughout the section but are concentrated higher in the stratigraphy. Several rock units within the stratigraphy show substantial variation in local thickness as a consequence of basin morphology at the time of deposition.

Alteration at the Arctic deposit is characterized by magnesium alteration, primarily as talc, chlorite, and phengite alteration products associated with the sulphide-bearing horizons and continuing in the footwall. Stratigraphically above the sulphide-bearing horizons, significant muscovite as paragonite is developed and results in a marked shift in Na/Mg (sodium/magnesium) ratios across the sulphide bearing horizons.

Mineralization occurs as stratiform semi-massive sulphide (“SMS”) to massive sulphide (“MS”) beds within primarily graphitic chlorite schists and fine-grained quartz sandstones. The sulphide beds average 4 m in thickness but vary from less than 1 m up to as much as 18 m in thickness.

The bulk of the mineralization occurs within eight modelled SMS and MS zones lying along the upper and lower limbs of the Arctic isoclinal anticline. All of the zones are within an area of roughly 1 km² with mineralization extending to a depth of approximately 250 m below the surface. Mineralization is predominately coarse-grained sulphides consisting mainly of chalcopyrite, sphalerite, galena, tetrahedrite-tennantite, pyrite, arsenopyrite, and pyrrhotite. Trace amounts of electrum are also present.

Drilling and Sampling

Drilling at the Arctic deposit and within the Ambler mining district has been ongoing since its initial discovery in 1967. Approximately 60,259 m of drilling has been completed within the Ambler mining district, including 41,745 m of drilling in 184 drill holes at the Arctic deposit or on potential extensions in 28 campaigns spanning 53 years. Drill programs were completed by Kennecott and its subsidiaries, Anaconda, and Trilogy and its predecessor companies.

Core recoveries are acceptable. Geological and geotechnical logging is in line with industry generally-accepted practices. Drill collar and downhole survey data were collected using industry-recognized instrumentation and methods.

Between 2004 and 2006, NovaGold conducted a systematic drill core re-logging and re-sampling campaign of Kennecott and BCMC era drill holes. NovaGold either took 1 to 2 m samples every 10 m, or sampled entire lengths of previously unsampled core within a minimum of 1 m and a maximum of 3 m intervals. During the Trilogy campaigns, sample intervals were determined by the geological relationships observed in the core and limited to a 3 m maximum length and 1 m minimum length. An attempt was made to terminate sample intervals at lithological and mineralization boundaries. Sampling was generally continuous from the top to the bottom of the drill hole. When the hole was in unmineralized rock, the sample length was generally 3 m, whereas in mineralized units, the sample length was shortened to 1 to 2 m.

Gold assays were determined using fire analysis followed by an atomic absorption spectroscopy finish. An additional 49-element suite was assayed by inductively coupled plasma-mass spectroscopy methodology, following nitric acid aqua regia digestion. The copper, zinc, lead, and silver analyses were completed by AA, following a triple acid digest, when overlimits.

Standard reference materials, blanks, duplicates and check samples have been regularly submitted at a combined level of 20% of sampling submissions for all NovaGold/NovaCopper/Trilogy era campaigns. BDRC reviewed the QA/QC dataset and reports and found the sample insertion rate and the timeliness of results analysis meets or exceeds industry best practices.

SG measurements have been conducted on 3,023 samples in the database and range from a minimum of 2.43 to a maximum of 4.99 and average 3.08. The distribution of SG data is considered sufficient to support estimation in the resource model.

An aerial LIDAR survey was completed to support pre-feasibility level resource estimation, engineering design, environmental studies, and infrastructure layout evaluations. Agreement between surveyed drill hole collar elevations and a LIDAR topographic surface verifies the correctness of the digital topography for use in estimation.

It was concluded that the drill database and topographic surface for the Arctic deposit is reliable and sufficient to support the current estimate of mineral resources.

Mineral Processing and Metallurgical Testing

Since 1970, metallurgical test work has been conducted to determine the flotation response of various samples extracted from the Arctic deposit. In general, the samples tested produced similar metallurgical performances. In 2012, SGS Mineral Services conducted a metallurgical test program to further study metallurgical responses of the samples produced from Zones 1, 2, 3, and 5 of the Arctic deposit. The flotation test procedures used talc pre-flotation, conventional copper-lead bulk flotation and zinc flotation, followed by copper and lead separation. In general, the 2012 test results indicated that the samples responded well to the flowsheet tested. The average results of the locked cycle tests (without copper and lead separation) were as follows:

- The copper recoveries to the bulk copper-lead concentrates ranged from 89 to 93% excluding the Zone 1 & 2 composite which produced a copper recovery of approximately 84%; the copper grades of the bulk concentrates were 24 to 28%.
- Approximately 92 to 94% of the lead was recovered to the bulk copper-lead concentrates containing 9 to 13% lead.
- The zinc recovery was 84.2% from Composite Zone 1 & 2, 93.0% from Composite Zone 3 and 90.5% from Composite Zone 5. On average, the zinc grades of the concentrates produced were higher than 55%, excluding the concentrate generated from Composite Zone 1 & 2, which contained only 44.5% zinc.
- Gold and silver were predominantly recovered into the bulk copper-lead concentrates. Gold recoveries to this concentrate ranged from 65 to 80%, and silver recoveries ranged from 80 to 86%.

Using an open circuit procedure, the copper and lead separation tests on the bulk copper-lead concentrate produced from the locked cycle tests generated reasonable copper and lead separation. The copper concentrates produced contained approximately 28 to 31% copper, while the grades of the lead concentrates were in the range of 41% to 67% lead. In this test work program, it appeared that most of the gold reported to the copper concentrate and on average the silver was equally recovered into the copper and lead concentrates. Subsequent test work to better define the copper and lead separation process was conducted in 2017, including a more detailed evaluation of the precious metal deportment in the copper and lead separation process.

The 2012 grindability test results showed that the Bond ball millwork index (BWi) tests ranged from 6.5 to 11 kWh/t and abrasion index (Ai) tests fluctuated from 0.017 to 0.072 g for the mineralized samples. The data indicate that the samples are neither resistant nor abrasive to ball mill grinding. The materials are considered to be soft or very soft in terms of grinding requirements.

In 2017, ALS Metallurgy conducted detailed copper and lead separation flotation test work using a bulk sample of copper-lead concentrate produced from the operation of a pilot plant. This test work confirmed high lead recoveries in locked cycle testing of the copper-lead separation process and confirmed precious metal recoveries into the representative copper and lead concentrates. This test work indicated a clear tendency of the gold values to follow the lead concentrate, giving it a significant gold grade and value.

The conclusions of test work conducted both in 2012 and 2017 indicate that the Arctic materials are well-suited to the production of high-quality copper and zinc concentrates using flotation techniques which are industry standard. Copper and zinc recovery data is reported in the range of 91 to 89% respectively, which reflects the high grade nature of the deposit as well as the coarse grained nature of these minerals. Lead concentrates have the potential to be of high quality and can also be impacted by zones of very high talc contents which has the potential to dilute lead concentrate grades. The lead concentrate is also shown to be rich in precious metals, which has some advantages in terms of marketability of this material.

Mineral Resource Estimate

The mineral resource estimate has been prepared by SIM Geological Inc. and BD Resource Consulting, Inc.

Mineral resource estimates are made from a 3D block model based on geostatistical applications using commercial mine planning software (MineSight® v11.60-2). The block model has a nominal block size measuring 10 x 10 x 5 m and utilizes data derived from 152 drill holes in the vicinity of the Arctic deposit. The resource estimate was generated using drill hole sample assay results and the interpretation of a geological model which relates to the spatial distribution of copper, lead, zinc, gold and silver. Interpolation characteristics were defined based on the geology, drill hole spacing, and geostatistical analysis of the data. The effects of potentially anomalous high-grade sample data, composited to two metre intervals, are controlled by limiting the distance of influence during block grade interpolation. The grade models have been validated using a combination of visual and statistical methods. The resources were classified according to their proximity to the sample data locations and are reported, as required by NI 43-101, according to the CIM Definition Standards for Mineral Resources and Mineral Reserves. Model blocks estimated by three or more drill holes spaced at a maximum distance of 100 metres are included in the Indicated category. Inferred blocks are within a maximum distance of 150 metres from a drill hole. The estimate of Indicated and Inferred mineral resources is within a limiting pit shell derived using projected technical and economic parameters.

Table 1: Mineral Resource Estimate for Arctic Deposit

Class	M tonnes	Average Grade:					Contained metal:				
		Cu %	Pb%	Zn%	Au g/t	Ag g/t	Cu Mlbs	Pb Mlbs	Zn Mlbs	Au koz	Ag Moz
Indicated	36.0	3.07	0.73	4.23	0.63	47.6	2441	581	3356	728	55
Inferred	3.5	1.71	0.60	2.72	0.36	28.7	131	47	210	40	3

Notes:

- (1) Resources stated as contained within a pit shell developed using metal prices of US\$3.00/lb Cu, \$0.90/lb Pb, \$1.00/lb Zn, \$1300/oz Au and \$18/oz Ag and metallurgical recoveries of 92% Cu, 77% Pb, 88% Zn, 63% Au and 56% Ag and operating costs of \$3/t mining and \$35/t process and G&A. The average pit slope is 43 degrees.
- (2) The base case cut-off grade is 0.5% copper equivalent. $CuEq = (Cu\% \times 0.92) + (Zn\% \times 0.290) + (Pb\% \times 0.231) + (Augpt \times 0.398) + (Aggpt \times 0.005)$.
- (3) The Mineral Resource Estimate is reported on a 100% basis without adjustments for metallurgical recoveries. Following the formation of the Joint Venture, Trilogy and South32 each own 50% of the Arctic Project.
- (4) The Mineral Resource Estimate is inclusive of Mineral Reserves. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves.
- (5) Inferred resources have a great amount of uncertainty as to whether they can be mined legally or economically. It is reasonably expected that a majority of Inferred resources will be converted to Indicated resources with additional exploration.
- (6) Effective date of the Mineral Resource Estimate is April 25, 2017.
- (7) See "Cautionary Note to United States Investors".

Mining Reserves and Mining Methods

The Arctic Project is designed as a conventional truck-shovel operation assuming 131 t trucks for waste and 91 t trucks for ore, as well as 17 m³ and 12 m³ shovels for waste and ore respectively. The pit design includes three nested phases to balance stripping requirements while satisfying the concentrator requirements.

The design parameters include a ramp width of 28.5 m, in-pit road grades of 8% and out-pit road grades of 10%, bench height of 5 m, targeted mining width between 70 and 100 m, berm interval of 15 m, variable slope angles by sector and a minimum mining width of 30 m.

The smoothed final pit design contains approximately 43 Mt of ore and 296 Mt of waste for a resulting stripping ratio of 6.9:1. Within the 43 Mt of ore, the average grades are 2.32% Cu, 3.24% Zn, 0.57% Pb, 0.49 g/t Au and 36.0 g/t Ag.

The Mineral Reserve estimates are shown in Table 1-2.

Table 2: Mineral Reserve Estimate for the Arctic Deposit

Class	Tonnage	Grades				
	t x 1000	Cu (%)	Zn (%)	Pb (%)	Au (g/t)	Ag (g/t)
Proven Mineral Reserves	-	-	-	-	-	-
Probable Mineral Reserves	43,038	2.32	3.24	0.57	0.49	36.0
Proven & Probable Mineral Reserves	43,038	2.32	3.24	0.57	0.49	36.0
Waste within Designed Pit	296,444					
Total Tonnage within Designed Pit	339,482					

Notes:

- (1) Mineral Reserves are estimated assuming open pit mining methods and include a combination of planned and contact dilution.
- (2) Mineral Reserves are based on prices of \$2.90/lb Cu, \$0.90/lb Pb, \$1.10/lb Zn, \$1250/oz Au and \$18/oz Ag. Fixed process recoveries of 90.0% Cu, 89.9% Pb, 91.7% Zn, 61.1% Au and 49.7% Ag
- (3) Mining costs: \$3.00/t incremented at \$0.02/t/15 m and \$0.015/t/1.5 m below and above 710 m elevation respectively.
- (4) Processing costs: \$36.55/t. Include process cost: \$19.86/t, G&A: \$8.92/t, sustaining capital: \$4.11/t closure cost: \$1.00/t, and road toll: \$2.66/t.
- (5) Treatment costs of \$70/t Cu concentrate, \$180/t Pb concentrate and \$300/t Zn concentrate. Refining costs of \$0.07/lb Cu, \$10/oz Au, \$0.60/oz Ag. Transport cost of \$149.96/t concentrate.
- (6) Fixed royalty percentage of 1%.

- (7) The Qualified Person for the Mineral Reserves is an employee of Amec Foster Wheeler, who visited the project site in July 25, 2017 as part of the data verification process.
- (8) The effective date of mineral reserves estimate is October 10, 2017.
- (9) Mineral Reserves are reported on a 100% basis. Following the formation of the Joint Venture, Trilogy and South32 each own 50% of the Arctic Project.

The scheduling constraints set the maximum mining capacity at 32 Mt/year and the maximum process capacity at 10 kt/day. The production schedule results in a life of mine (“LOM”) of 12 years. The mine will require two years of pre-production before the start of operations in the processing plant.

Recovery Methods

The 10,000 t/d process plant design is conventional for the industry, will operate two 12 hour shifts per day, 365 d/a with an overall plant availability of 92%. The process plant will produce three concentrates: 1) copper concentrate, 2) zinc concentrate, and 3) lead concentrate. Gold and silver are expected to be payable at a smelter and are recovered in both the copper and lead concentrates.

The mill feed will be hauled from the open pit to a primary crushing facility where the material will be crushed by a jaw crusher to a particle size of 80% passing 125 mm.

The crushed material will be ground by two stages of grinding, consisting of one SAG mill and one ball mill in closed circuit with hydrocyclones (SAB circuit). The hydrocyclone overflow with a grind size of approximately 80% passing 70 µm will first undergo talc pre-flotation, and then be processed by conventional bulk flotation (to recover copper, lead, and associated gold and silver), followed by zinc flotation. The rougher bulk concentrate will be cleaned and followed by copper and lead separation to produce a lead concentrate and a copper concentrate. The final tailings from the zinc flotation circuit will be pumped to a tailings management facility (“TMF”). Copper, lead, and zinc concentrates will be thickened and pressure-filtered before being transported by truck to a port and shipped to smelters.

The LOM average mill feed is expected to contain 2.32% Cu, 3.24% Zn, 0.57% Pb, 0.49 g/t Au, and 35.98 g/t Ag. Based on the mine plan developed for the PFS and metallurgical test work results, the LOM average metal recoveries and concentrate grades will be:

- Copper concentrate:
 - o recovery: 90.0% copper; 11.8% gold; 35.0% silver
 - o copper grade: 30.3%
- Lead concentrate:
 - o recovery: 80.0% lead; 61.1% gold; 49.7% silver
 - o lead grade: 55.0%
- Zinc concentrate:
 - o recovery: 91.7% zinc
 - o zinc grade: 59.2%.

The average annual dry concentrate production is estimated as follows:

- Copper concentrate: 246,723 t/a
- Lead concentrate: 29,493 t/a
- Zinc concentrate: 180,219 t/a.

Project Infrastructure

The Arctic project site is a remote, greenfields site that requires construction of its own infrastructure to support the mining operation.

The Arctic Project site will be accessed through a combination of State of Alaska owned highways (existing), an AIDEA owned private road (proposed) and Trilogy owned access roads (proposed). The AMDIAP road is proposed by AIDEA to connect the Ambler mining district to the Dalton Highway. The AMDIAP road is being permitted as a private road with restricted access for industrial use. To connect the Arctic Project site and the existing exploration camp to the proposed AMDIAP road a 30.7 km access road (the Arctic access road) will need to be built.

The State of Alaska owned public Dahl Creek Airport will require upgrades to support the planned regular transportation of crews to and from Fairbanks. Power generation will be by six LNG generators, producing a supply voltage of 4.16 kV. The total connected load will be 17.5 MW with an average power draw of 12.6 MW. LNG will be supplied via existing fuel supply networks near Port Mackenzie, Alaska.

The Arctic Project will require three different self-contained camps, equipped with their own power and heat generation capabilities, water treatment plant, sewage treatment plant, and garbage incinerator. The existing exploration camp will be used to start the construction of the Arctic access road. A construction camp will be constructed at the intersection of the AMDIAP road and Arctic access road, and will be decommissioned once construction is complete. The permanent camp will be constructed along the Arctic access road, closer to the planned processing facility. The permanent camp will be constructed ahead of operations to support the peak accommodation requirements during construction.

Infrastructure that will be required for the mining and processing operations will include:

- Open pit mine
- Stockpiles and waste rock facilities
- Gatehouse
- Truck workshop, truck wash, mine offices, mine dry facility and warehouse
- Administration building
- Mill dry facility
- Plant workshop and warehouse
- Primary crushing building
- Fine ore stockpile building
- Process plant and laboratory
- Concentrate loadout building
- Reagent storage and handling building
- Raw water supply building.
- Tailings management facility
- Diversion and collection channels, culverts, and containment structures

- Waste rock collection pond
- Water treatment plants.

On-site communications comprise of inter-connected mobile and fixed systems, including landline telephone network, radios and internet.

Compressed air will be supplied by screw compressors and a duty plant air receiver. Fire protection will be supported by a firewater distribution network and standpipe systems, water mist systems, sprinkler systems, and portable fire extinguishers. Gas detection will be provided to detect dangerous levels of LNG gas within the generator room.

A large waste rock dump (“WRD”) will be developed north of the Arctic pit in the upper part of the Arctic Valley. The waste rock storage facility will be designed to store both waste rock and tailings in adjacent footprints. The total volume of waste rock is expected to be 145.6 Mm³ (296 Mt), however there is potential for expanded volume in the waste if placement density is less than 2.0 t/m³. The dump will have a final height of 245 m to an elevation of 890 masl and is planned to be constructed in 20 m lifts with intermediary bench widths at 23.5 m on average at the dump face, to achieve an overall slope of 2.7H:1V. Most of the waste rock is anticipated to be potentially acid-generating (“PAG”) and there will be no separation of waste based on acid generation potential. Rather, seepage from the WRD will be collected and treated.

There will also be two small overburden stockpiles to store the stripped topsoil and overburden from the TMF footprint. The topsoil stockpile will be placed in between the haul roads and will store up to 225,000 m³ of material while the overburden stockpile will be located below the lower haul road between the pit and the mill site with storage capacity up to 650,000 m³.

The tailings management facility (“TMF”) will be located at the headwaters of the Sub-Arctic Creek, in the upper-most portion of the creek valley. The 58.6 ha footprint of the TMF will be fully lined with an impermeable liner (“HDPE”). Tailings containment will be provided by an engineered dam that will be buttressed by the WRD constructed immediately downstream of the TMF and the natural topography on the valley sides. A starter dam will be constructed to elevation 830 m. Three subsequent raises will bring the final dam crest elevation to 890 m, which is the same as the final elevation of the waste rock dump. The TMF is designed to store approximately 27.3 Mm³ (38.7 Mt) of tailings plus 3.0 Mm³ of water produced over the 12 year mine life as well as the PMF and still provide 2m of freeboard.

The tailings delivery system pipeline will transport slurried tailings from processing plant to the TMF. The delivery system will be sized initially on the basis of a 10 kt/d operation. This pipeline will transport 1,050 m³/h of tailings to the TMF. The return water delivery system for recycle water from the TMF has been sized on the basis of 770 m³/h of water being pumped from the TMF to the process water pond, for the 10 kt/d operation.

The proposed mine development is located in valley of Sub-Arctic Creek, a tributary to the Shungnak River. A surface water management system will be constructed to segregate contact and non-contact water. Non-contact water will be diverted around mine infrastructure to Sub-Arctic Creek. Contact water will be conveyed to treatment facilities prior to discharge to the receiving environment.

Market Studies

Trilogy provided Ausenco with the metal price projections for use in the Pre-Feasibility Study on which the Technical Report is based. Trilogy established the pricing using a combination of two year trailing actual metal prices, and market research and bank analyst forward price projections.

The long-term consensus metal price assumptions to be used in the Pre-Feasibility Study are:

- Copper: \$3.00/lb
- Lead: \$1.00/lb
- Zinc: \$1.10/lb
- Gold: \$1,300/oz

- Silver: \$18.00/oz

Smelter terms were applied for the delivery of copper, zinc and lead concentrate. It was assumed that delivery of all concentrates would be to an East Asian smelter at currently available freight rates. These terms are considered to be in line with current market conditions. Total transport costs for the concentrate are estimated at \$270.37/dmt.

Environmental, Permitting, Social and Closure Considerations

Environmental Considerations

The Arctic Project area includes the Ambler lowlands and Subarctic Creek within the Shungnak River drainage. To date, a moderate amount of baseline environmental data collection has occurred in the area including surface water quality sampling, surface hydrology monitoring, wetlands mapping, stream flow monitoring, aquatic life surveys, avian and mammal habitat surveys, cultural resource surveys, hydrogeology studies, meteorological monitoring, and acid base accounting studies.

Permitting Considerations

Trilogy performs mineral exploration at the Arctic deposit under State of Alaska and Northwest Arctic Borough (“NWAB”) permits. Trilogy is presently operating under a State of Alaska Miscellaneous Land Use Permit (“APMA permit”) that expires at the end of 2022.

Mine development permitting will be largely driven by the underlying land ownership; regulatory authorities vary depending on land ownership. The Arctic Project area includes patented mining claims (private land under separate ownership by Trilogy and NANA), State of Alaska land, and NANA land (private land). The open pit would situate mostly on patented land while the mill, tailings and waste rock facilities would be largely on State land. Other facilities, such as the camps, would be on NANA land. Federal land would likely be part of any access road between the Dalton Highway and the Arctic Project area. Permits associated with such an access road are being investigated in a separate action by the State of Alaska.

Because the Arctic Project is situated to a large extent on State land, it will likely be necessary to obtain a Plan of Operation Approval (which includes the Reclamation Plan) from the ADNR. The Arctic Project will also require certificates to construct and then operate a dam(s) (tailings and water storage) from the ADNR (Dam Safety Unit) as well as water use authorizations, an upland mining lease and a mill site lease, as well as several minor permits including those that authorize access to construction material sites from ADNR.

The Alaska Department of Environmental Conservation (“ADEC”) would authorize waste management under an integrated waste management permit, air emissions during construction and then operations under an air permit, and require an APDES permit for any wastewater discharges to surface waters, and a Multi-Sector General Permit for stormwater discharges. The ADEC would also be required to review the USACE Section 404 permit to certify that it complies with Section 401 of the CWA.

The Alaska Department of Fish and Game would have to authorize any culverts or bridges that are required to cross fish-bearing streams or other impacts to fish-bearing streams that result in the loss of fish habitat.

U.S. Army Corps of Engineers (“USACE”) would require a CWA Section 404 permit for dredging and filling activities in Waters of the United States including jurisdictional wetlands. The USACE Section 404 permitting action would require the USACE to comply with the Natural Environmental Policy Act (“NEPA”) and, for a project of this magnitude, the development of an EIS. The USACE would likely be the lead federal agency for the NEPA process. As part of the Section 404 permitting process, the Arctic Project will have to meet USACE wetlands guidelines to avoid, minimize and mitigate impacts to wetlands.

The Arctic Project will also have to obtain approval for a Master Plan from the NWAB. In addition, actions will have to be taken to change the borough zoning for the Arctic Project area from Subsistence Conservation to Resource Development.

The overall timeline required for permitting would be largely driven by the time required for the NEPA process, which is triggered by the submission of the 404 permit application to the US Army Corp of Engineers. The timeline includes the development and publication of a draft and final EIS and ends with a Record of Decision, and 404-permit issuance. In Alaska, the EIS and other State and Federal permitting processes are generally coordinated so that permitting and environmental review occurs in parallel. The NEPA process could require between 1.5 to three years to complete, and could potentially take longer.

Social Considerations

The Arctic Project is located approximately 40 km northeast of the native villages of Shungnak and Kobuk, and 64 km east-northeast of the native village of Ambler. The population in these villages range from 156 in Kobuk (2016 Census) to 262 in Shungnak (2016 Census) to 284 in Ambler (2017 DCCED certified population). Residents live a largely subsistence lifestyle with incomes supplemented by trapping, guiding, local development projects, government aid and other work in, and outside of, the villages.

The Arctic Project has the potential to significantly improve work opportunities for village residents. Trilogy is working directly with the villages to employ residents in the ongoing exploration program as geotechnicians, drill helpers, and environmental technicians. Trilogy and NANA have established a Workforce Development Committee to assist with developing a local workforce. In addition, Trilogy has existing contracts with native-affiliated companies (such as NANA Management Services and WHPacific Inc.) that are providing camp catering and environmental services for the Arctic Project, respectively.

Local community concerns will also be formally recognized during the development of the project EIS. Early in the EIS process, the lead federal permitting agency will hold scoping meetings in rural villages to hear and record the concerns of the local communities so that the more significant of these concerns can be addressed during the development of the EIS. In addition, the lead federal agency would have government-to-government consultations with the Tribal Councils in each of the villages, as part of the EIS process, to discuss the project and hear Council concerns.

Closure Planning

Mine reclamation and closure are largely driven by State regulations that specify that a mine must be reclaimed concurrent with mining operations to the greatest extent possible and then closed in a way that leaves the site stable in terms of erosion and avoids degradation of water quality from acid rock drainage or metal leaching on the site. A detailed reclamation plan will be submitted to the State agencies for review and approval in the future, during the formal mine permitting process.

Owing to the fact that the Arctic Project is likely to have facilities on a combination of private (patented mining claims and native land) and State land, it is likely that the reclamation plan will be submitted and approved as part of the plan of operations, which is approved by the ADNR. However, since the reclamation plan must meet regulations of both ADNR and the ADEC, both agencies will review and approve the Reclamation Plan. In addition, private land owners must formally concur with the portion of the reclamation plan for their lands so that it is compatible with their intended post-mining land use.

The estimate cost of closure is based on unit rates used by SRK. Long-term water treatment and maintenance of certain water management facilities were calculated separately, and an NPV is provided for the first 200 years, at a discount rate of 4.3%.

Reclamation costs have been estimated to be \$65.3 million for this PFS, in 2017 undiscounted U.S. dollars. Annual costs associated with long-term operations of the water treatment plant are estimated to be about \$1.27 million for the first five years and \$0.96 million thereafter.

Capital Costs

The capital cost estimate uses U.S. dollars as the base currency. The total estimated initial capital cost for the design, construction, installation and commissioning of the Arctic Project is estimated to be \$779.6 million. A summary of the estimated capital cost is shown in Table 1-3.

Table 3: Initial Capital Costs

Cost Type	Description	US\$M
Direct	Mine	281.1
	Crushing	18.3
	Process	113.8
	Tailings	30.3
	On-Site Infrastructure	84.5
	Off-Site Infrastructure	15.6

Cost Type	Description	US\$M
	Direct Subtotal	543.8
Indirect	Indirects	121.9
	Contingency	92.0
	Owners Costs	21.9
	Indirect Total	235.8
Project Total		779.6

The total sustaining capital cost estimate is \$65.9 million for the 12 year LOM which includes equipment, tailings and other items. Closure costs were estimated to be \$65.3 million. These costs are summarized in Table 1-4.

Table 4: Sustaining Capital and Closure Costs

	Sustaining Capital (US\$M)
G&A	0.9
Tailings	19.9
Mining	45.1
Total Sustaining Capital	65.9
	Closure Cost (US\$M)
Closure Costs	65.3

Operating Costs

The operating cost estimates use U.S. dollars as the base currency. An average operating cost was estimated for the Arctic Project based on the proposed mining schedule. These costs included, mining, processing, G&A, surface services, and road toll costs. The average LOM operating cost for the Arctic Project is estimated to be \$46.81/ t milled. The breakdown of costs in Table 1-5 is estimated based on the average LOM mill feed rate.

Table 5: Sustaining Capital and Closure Costs

Description	LOM Average Unit Operating Cost (\$/ t milled)	Percentage of Total Annual Operating Costs
Mining*	20.47	44%
Processing	15.09	32%
G&A	5.60	12%
Surface Services	0.95	2%
Road Toll	4.70	10%
Total Operating Cost	46.81	100%

*Excludes pre-production costs

Economic Analysis

An economic analysis was undertaken to determine the IRR, NPV and payback on initial investment of the Arctic Project. The Arctic Project consists of a three year pre-production construction period, followed by 12 years of production.

The results of this economic analysis represents forward-looking information. The results depend on the inputs that are subject to a number of known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those presented in this section. Information that is forward looking includes mineral reserve estimates, commodity prices, the proposed mine production plan, construction schedule, projected recovery rates, proposed capital and operating cost estimates, closure cost estimates, toll road cost estimates, and assumptions on geotechnical, environmental, permitting, royalties, and hydrogeological information.

Ausenco developed a pre-tax cash flow model for the Arctic Project and the NPV and IRR were calculated at the beginning of the construction period in Year -3.

The pre-tax financial model incorporated the production schedule and smelter term assumptions to produce annual recovered payable metal, or gross revenue, in each concentrate stream by year. Off-site costs, including the applicable refining and treatment costs, penalties, concentrate transportation charges, marketing and representation fees, and royalties were then deducted from gross revenue to determine the NSR. The operating cash flow was then produced by deducting annual mining, processing, G&A, surface services, and road toll charges from the NSR. Initial and sustaining capital was deducted from the operating cash flow in the years they occur, to determine the net cash flow before taxes. Initial capital cost includes all estimated expenditures in the construction period, from Year -3 to Year -1 inclusive. First production occurs at the beginning of Year 1. Sustaining capital expenditure includes all capital expenditures purchased after first production, including mine closure and rehabilitation. The model includes an allocation of a 1% NSR attributable to NANA.

The pre-tax financial results are:

- 38.0% IRR
- \$1,935.2 million NPV at an 8% discount rate
- 1.9 year payback period, on the initial capital costs of \$779.6 million

The following tax regimes were incorporated in the post-tax analysis: U.S. Federal Income Tax, Alaska State Income Tax (AST), and Alaska Mining License Tax (AMLT). Taxes are calculated based on currently enacted United States and State of Alaska tax laws and regulations, including the U.S. Federal enactment of the Tax Cuts & Jobs Act (TCJA) on December 22, 2017. At the base case metal prices used for this study, the total estimated taxes payable on the Arctic Project profits are \$1,162.2 million over the 12-year mine life.

The post-tax financial results are:

- 33.4% IRR
- \$1,412.7 million NPV at an 8% discount rate
- 2.0 year payback period, on the initial capital costs of \$779.6 million

Sensitivity Analysis

Ausenco investigated the sensitivity of the Arctic Project's pre-tax NPV, and IRR to several project variables, including metal prices (copper, lead, zinc, gold, silver), capital costs, and operating costs (onsite and offsite). The metal grade is not presented in these findings because the impacts of changes in the metal grade mirror the impact of changes in metal price.

The Arctic Project's pre-tax NPV at an 8% discount rate is most sensitive to changes in copper price, followed by zinc price, off-site operating costs, on-site operating costs, capital costs, silver price, gold price, and lead price.

The Arctic Project's pre-tax IRR is most sensitive to changes in copper price and capital cost, followed by zinc price and off site operating costs, and in then decreasing order, on-site operating costs, silver price, gold price, and lead price.

Interpretations and Conclusions

Under the assumptions presented in the 2018 Arctic Report, the Arctic Project shows positive economics.

The financial analysis excludes consideration of the NANA Agreement, whereby NANA has the right, following a construction decision, to elect to purchase a 16% to 25% direct interest in the Arctic Project or, alternatively, to receive a 15% Net Proceeds Royalty.

The financial analysis excludes consideration of the South32 Option Agreement, whereby South32 had the right to form a 50/50 Joint Venture with Trilogy over Trilogy's Alaskan interests, including the Arctic Project, which South32 exercised in December 2019. See "*Significant Developments in 2019*".

The cost assumptions for the AMDIAP road are estimates provided by Trilogy. There is a risk to the capital and operating cost estimates, the financial analysis, and the Mineral Reserves if the toll road is not built in the time frame required for the Arctic Project, or if the toll charges are significantly different from what was assumed.

Recommendations

A single-phase work program is recommended, which will include: geotechnical investigations and studies; optimization of the plant and related service facilities and evaluation of the power supply; examination of water management, water treatment, WRD and TSF designs; baseline studies and environmental permitting activities; and additional metallurgical test work. The budget for this work is estimated at about \$3.3 million.

Bornite Project, Ambler District, Alaska

Bornite Project

Except as otherwise stated, the scientific and technical information relating to the Bornite Project contained in this Form 10-K is derived from, the 2018 Bornite Report titled "NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA" dated July 20, 2018 with an effective date of June 5, 2018 prepared by BD Resource Consulting, Inc., SIM Geological Inc., and International Metallurgical & Environmental Inc. The information regarding the Bornite Project is based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the 2018 Bornite Report which has been filed with certain Canadian securities regulatory authorities pursuant to NI 43-101 and is available for review on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Bornite Project - Property Description and Location

The property is located in the Ambler mining district of the southern Brooks Range, in the NWAB of Alaska. The property is located in Ambler River A-2 quadrangle, Kateel River Meridian T 19N, R 9E, sections 4, 5, 8 and 9. The Bornite Project is located 248 km east of the town of Kotzebue, 19 km north of the village of Kobuk, 275 km west of the Dalton Highway, an all-weather state maintained public road, at geographic coordinates N67.07° latitude and W156.94° longitude (Universal Transverse Mercator (UTM) North American Datum (NAD) 83, Zone 4W coordinates 7440449N, 589811E).

At the time of the formation of the 50/50 joint venture with South32, Trilogy transferred its Alaskan assets, including the Bornite project, to the newly formed joint venture. See "*Significant Developments in 2019*".

Bornite Project - Accessibility, Climate, Local Resources, Infrastructure, and Physiography

Primary access to the Bornite Project is by air, using both fixed wing aircraft and helicopters. There are four well maintained, approximately 1,500 m-long gravel airstrips located near the property, capable of accommodating charter fixed wing aircraft. These airstrips are located 40 km west at Ambler, 23 km southwest at Shungnak, 19 km south at Kobuk, and 15 km south at Dahl Creek. There is daily commercial air service from Kotzebue to the village of Kobuk, the closest community to the property. During the summer months, the Dahl Creek Camp airstrip is suitable for larger aircraft, such as C-130 and DC-6. In addition to the four 1,500 m airstrips, there is a 700 m airstrip located at the Bornite Camp. The airstrip at Bornite is suited to smaller aircraft, which support the Bornite Camp with personnel and supplies.

There is no direct water access to the property. During spring runoff, river access is possible by barge from Kotzebue Sound to Ambler, Shungnak, and Kobuk via the Kobuk River.

A two-lane, two-wheel drive gravel road links the Bornite Project's main camp to the 1,525 m Dahl Creek airstrip and village of Kobuk.

The climate in the region is typical of a sub-arctic environment. Exploration is generally conducted from late May until late September. Weather conditions on the Bornite Project can vary significantly from year to year and can change suddenly. During the summer

exploration season, average maximum temperatures range from 10°C to 20°C, while average lows range from -2°C to 7°C. By early October, unpredictable weather limits safe helicopter travel to the property. During winter months, the property can be accessed by snow machine, track vehicle, or fixed wing aircraft. Winter temperatures are routinely below -25°C and can exceed -50°C. Annual precipitation in the region averages at 395 mm with the most rainfall occurring from June through September, and the most snowfall occurring from November through January.

Drilling and mapping programs are seasonal and have been supported out of the Main Bornite Camp and Dahl Creek Camp. The main Bornite Camp facilities are located on Ruby Creek on the northern edge of the Cosmos Hills. The camp provides office space and accommodations for the geologists, drillers, pilots, and support staff. There are four 2-person cabins installed by NANA prior to our tenure. In 2011, the main Bornite Camp was expanded to 20 sleeping tents, 3 administrative tents, 2 shower/bathroom tents, 1 medical tent, and 1 dining/cooking tent. With these additions, the camp capacity was increased to 49 beds. A 30 m by 9 m core logging facility was also built in summer of 2011. An incinerator was installed near the Bornite airstrip to manage waste created by the Bornite Project. Power for the Bornite Project is supplied by a 175 kW Caterpillar diesel generator. Water is provided by a permitted artesian well located 250 m from the Bornite Camp. In 2012, the camp was further expanded with the addition of a laundry tent, a women's shower/washroom tent, a recreation tent, several additional sleeping tents, and a 2 x enlargement of the kitchen tent. Camp capacity increased to 76 beds. The septic field was upgraded to accommodate the increase in camp population. One of the two-person cabins was winterized for use by the winter caretaker. A permitted landfill was established to allow for the continued cleanup and rehabilitation of the historic shop facilities and surroundings. The Dahl Creek camp is a leased facility used as an overflow or alternative facility to the main Bornite Camp. The Dahl Creek camp has a main cabin for dining and administrative duties, and a shower facility. Sleeping facilities include two hard-sided sleeping cabins with seven beds (primarily used for staff), one 4-person sleeping tent, and three 2-person sleeping tents for a total of 17 beds. There are support structures, including a shop and storage facilities.

The Bornite Project is located on Ruby Creek on the northern edge of the Cosmos Hills. The Cosmos Hills are part of the southern flank of the Brooks Range in Northwest Alaska. Topography in the area is moderately rugged. Maximum relief in the Cosmos Hills is approximately 1,000 masl with an average of 600 masl. Talus covers the upper portions of the hills; glacial and fluvial sediments occupy valleys. The Kobuk Valley is located at the transition between boreal forest and Arctic tundra. Spruce, birch, and poplar are found in portions of the valley, with a ground cover of lichens (reindeer moss). Willow and alder thickets and isolated cottonwoods follow drainages, and alpine tundra is found at higher elevations. Tussock tundra and low, heath-type vegetation covers most of the valley floor. Patches of permafrost exist on the property. Wildlife in the property area is typical of Arctic and Subarctic fauna. Larger animals include caribou, moose, Dall sheep, bears (grizzly and black), wolves, wolverines, coyotes, and foxes. Fish species include salmon, sheefish, arctic char, and arctic grayling. The Kobuk River, which briefly enters the Upper Kobuk Mineral Projects on its southwest corner, is a significant salmon spawning river. The caribou on the property belong to the Western Arctic herd that migrates twice a year – south in August, from their summer range north of the Brooks Range, and north in March from their winter range along the Buckland River.

Bornite Project - History

Kennecott and Bear Creek Mining Tenure

Regional exploration began in the early 1900s when gold prospectors noted copper occurrences in the hills north of Kobuk, Alaska. In 1947, local prospector Rhinehart “Rhiny” Berg along with various partners traversing in the area located outcropping mineralization along Ruby Creek (Bornite) on the north side of the Cosmos Hills. They subsequently staked claims over the Ruby Creek showings and constructed an airstrip for access. In 1957, BCMC, Kennecott's exploration subsidiary, optioned the property from Berg. Exploration drilling in 1961 and 1962 culminated in the discovery of the “No.1 Ore Body” where drill hole RC-34 cut 20 m of 24% copper (the “No.1 Ore Body” is a historic term used by BCMC that does not connote economic viability in the present context; it is convenient to continue to use the term to describe exploration work and historic resource estimation in a specific area of what is now generally known as Ruby Creek Upper Reef). The discovery of the “No.1 Ore Body” led to the development of an exploration shaft in 1966. The shaft, which reached a depth of 328 m, encountered a significant watercourse and was flooded near completion depth. The shaft was subsequently dewatered and an exploration drift was developed to provide access for sampling and mapping, and to accommodate underground drilling to further delineate mineralization. A total of 59 underground holes were drilled and, after the program, the shaft was allowed to re-flood. The discovery of the Arctic Project in 1965 prompted a hiatus in exploration at Bornite, and only limited drilling occurred up until 1976.

In the late 1990s, Kennecott resumed its evaluation of the Bornite deposit and the mineralization in the Cosmos Hills with an intensive soil, stream, and rock chip geochemical sampling program using 32 element ICP analyses. Grid soil sampling yielded 765 samples. Ridge and spur sampling resulted in an additional 850 soil samples in the following year. Skeletonized core samples (85 samples) from

key historic drill holes were also analyzed using 32 element ICP analytical methods. Geochemical sampling identified multiple areas of elevated copper and zinc in the Bornite region.

Kennecott completed numerous geophysical surveys as an integral part of exploration throughout their tenure on the property. Various reports, notes, figures, and data files stored in Kennecott's Salt Lake City exploration office indicated that geophysical work included, but was not limited to, the following:

- Airborne magnetic and EM surveys (fixed-wing INPUT) (1950s)
- Gravity, single point ("SP"), Audio-Frequency Magneto-Telluric ("AMT"), EM, borehole and surface IP/resistivity surveys (1960s)
- Gravity, airborne magnetic, and CSAMT surveys (1990s)

We have little information or documentation associated with these geophysical surveys conducted prior to the 1990s. Where data are available in these earlier surveys, the lack of details in data acquisition, coordinate systems, and data reduction procedures limit their usefulness. The only complete geophysical report available concerns down-hole IP/resistivity results. Most notable is the 1996 gravity survey from the Bornite deposit into the Ambler lowlands. The Bornite deposit itself is seen as a significant 3 milligal anomaly. Numerous 2 milligal to > 6 milligal anomalies occur under cover in the Ambler lowlands and near the Aurora Mountain and Pardner Hill occurrences. In addition to the geophysical surveys conducted by Kennecott, the ADNR completed an aeromagnetic survey of portions of the Ambler mining district in 1974-1975.

Several studies have been undertaken reviewing the geology and geochemistry of the Bornite deposit. Most notable is Murray Hitzman's PhD dissertation at Stanford University and Don Runnel's PhD dissertation at Harvard University. Bernstein and Cox reported on mineralization of the "No. 1 Ore Body" in a 1986 paper in Economic Geology. In addition to the historical work, Ty Connor at the Colorado School of Mines recently completed a Master's thesis which reported on the timing of alteration and mineralization at the Bornite deposit.

Kennecott conducted two technical reviews of the groundwater conditions and a summary of the findings related to the flooding of the exploration shaft. In 1961, Kennecott collected 32 coarse reject samples from five drill holes to support preliminary metallurgical test work at Bornite. Samples targeted high-grade (> 10%) copper mineralization from the Upper Reef at Ruby Creek.

Bornite Project - Geological Setting and Mineralization

The Bornite Project is located within the Arctic Alaska Terrane, a sequence of mostly Paleozoic continental margin rocks that make up the Brooks Range and North Slope of Alaska. It is within the Phyllite Belt geologic subdivision, which together with the higher-grade Schist Belt, stretches almost the entire length of the Brooks Range and is considered to represent the hinterland of the Jurassic Brooks Range orogeny. The southern margin of the Phyllite Belt is marked by mélangé and low angle faults associated with the Kobuk River fault zone, while the northern boundary is thought to be gradational with the higher-grade metamorphic rocks of the Schist Belt.

The geology of the Bornite resource area is composed of alternating beds of carbonate rocks (limestone and dolostone) and calcareous phyllite. Limestone transitions laterally into dolostone, which hosts the majority of the mineralization and is considered to be hydrothermal in origin. Spatial relationships and petrographic work establish dolomitization as genetically related to early stages of the copper mineralizing system.

Work by Trilogy in 2015 focused on furthering the understanding of the distribution and nature of the various lithologic units and their context in a sedimentary depositional model. The updated model, based on lithochemical signatures of the various units along with their historical visual logging, shows stacked debris flows composed of basal non-argillaceous channelized debris flows breccias with a fining upward sequence of increasingly argillaceous-rich breccias capped by high calcium (Ca) phyllites, confined laterally in channels between either massive or thin-bedded platform carbonates. Two stacked debris flow sequences are apparent, the Lower and Upper reefs. The Upper Reef grades vertically into capping argillaceous limestones instead of discrete high Ca phyllites indicating a shallowing upward or filling of the debris flow channels. Based on this updated interpretation, a series individual debris flow cycles have been modeled. Low calcium (Ca) phyllites, such as the Anirak Schist (QP) and the Beaver Creek Phyllite respectively underlie and cap the local stratigraphy suggesting different sourcing than the locally derived high Ca phyllites of the debris flow dominated Bornite Carbonate sequence stratigraphy. The Beaver Creek Phyllite is in structural contact with the Bornite Carbonate Sequence while the contact with

the underlying Anirak Schist is an unconformity. In addition to the stacked sedimentary stratigraphy, a crosscutting breccia dubbed the P-Breccia has been identified in and around the recently discovered South Reef mineralization. Though poorly defined by the overall lack of drilling in the area, the body which contains excellent copper grade lies at or near the Iron Mountain discontinuity. It remains unclear whether the P Breccia is a post-depositional structural, hydrothermal or solution-collapse induced breccia.

Structural fabrics observed on the property include bedding and two separate foliations. Bedding (S_0) can be measured only rarely where phyllite and carbonate are interbedded and it is unclear to what extent it is transposed. The pervasive foliation (S_1) is easily measured in phyllites and may be reflected by colour banding and/or stylolamination (flaggy habit in outcrop) of the carbonates. Core logging shows that S_1 is folded gently on the 10 m scale and locally tightly folded at the decimetre scale. S_2 axial planar cleavage is locally developed in decimetre scale folds of S_1 . Both S_1 and S_2 foliations are considered to be Jurassic in age. Owing to their greater strength, bodies of secondary dolostone have resisted strain and foliation development, whereas the surrounding limestone and calc-phyllite appear in places to have been attenuated during deformation. This deformation, presumably Jurassic, complicates sedimentological interpretations. Potentially the earliest and most prominent structural feature in the resource area is the northeast-trending Iron Mountain discontinuity which is still problematic in its interpretation.

Mineralization at Bornite occurs as tabular mineralized zones that coalesce into crudely stratiform bodies hosted in secondary dolomite. Two significant dolomitic horizons that host mineralization have been mapped by drilling and include: 1) the Lower Reef, a thick 100 to 300 m thick dolomitized zone lying immediately above the basal quartz phyllite unit of the Anirak Schist; and 2) the Upper Reef, a 100 to 150 m thick dolomite horizon roughly 300 m higher in section.

The Lower Reef dolomite outcrops along the southern margin of the Ruby Creek zone and is spatially extensive throughout the deposit area. It hosts a significant portion of the shallow resources in the Ruby Creek zone as well as higher grade resources down dip and to the northeast in the South Reef. The Upper Reef zone hosts relatively high-grade resources to the north in the Ruby Creek zone. The Upper reef zone appears to lie at an important NE- trending facies transition to the NW of the main drilled area and locally appears to be at least partially thrust over the Lower Reef stratigraphy to the southeast.

Drill results from 2013 show dolomitization and copper mineralization in the Upper and Lower Reefs coalescing into a single horizon along the northern limits of current exploration. The NE- trending Ruby Creek and South Reef zones also coalesce into a roughly 1000 m wide zone of >200 m thick dolomite containing significant copper mineralization dipping north at roughly 5-10 degrees. The 2017 drill results show that the mineralized dolomite horizon continues for at least another 700m down-dip to the northeast.

Bornite Project – Mineralization

Copper mineralization at Bornite is comprised of chalcopyrite, bornite, and chalcocite distributed in stacked, roughly stratiform zones exploiting favourable stratigraphy within the dolomitized limestone package. Mineralization occurs, in order of increasing grade, as disseminations, irregular and discontinuous stringer-style veining, breccia matrix replacement, and stratiform massive sulphides. The distribution of copper mineral species is zoned around the bottom-centre of each zone, with bornite-chalcocite-chalcopyrite at the core and progressing outward to chalcopyrite-pyrite. Additional volumetrically minor copper species include carrollite, digenite, tennantite-tetrahedrite, and covellite. Stringer pyrite and locally significant sphalerite occur above and around the copper zones, while locally massive pyrite and sparse pyrrhotite occur in association with siderite alteration below copper mineralization in the Lower Reef.

In addition to the copper mineralization, significant cobalt mineralization is found accompanying bornite-chalcocite mineralization. Cobalt occurs with high-grade copper as both carrollite ($\text{Co}_2\text{Cu}_4\text{S}_4$) and as cobaltiferous rims on recrystallized pyrite grains. Preliminary geometallurgical work by Trilogy supports this observation and shows cobalt occurring primarily as cobaltiferous pyrite (approximately 80% of the contained cobalt) and within other cobalt minerals such as carrollite, and cobaltite (CoAsS) present throughout the deposit (Upper Reef, Lower Reef, and South Reef).

Appreciable silver values are also found with bornite-rich mineralization in the South Reef and Ruby Creek zones.

Bornite Project – Exploration

Exploration in and around the Bornite Project by Kennecott from 1957 to 1998 is summarized above. In addition to the extensive drilling completed during the more than 40-year tenure of Kennecott in the district, Kennecott completed widespread surface geochemical sampling, regional and property scale mapping, and numerous geophysical surveys employing a wide variety of techniques. The majority

of this data has been acquired by us and forms the basis for renewed exploration that targets Bornite-style mineralization in the Bornite carbonate sequence.

NovaGold as the precursor company to us began to actively pursue an agreement to explore the Bornite Project with NANA in 2005 resulting in an initial airborne geophysical survey in 2006. Negotiations on the consolidation and exploration of the entire Ambler district continued for the next several years culminating in the NANA Agreement in October 2011.

With the NANA Agreement approaching completion, NovaGold initiated work in 2010 to begin to characterize the exploration potential and depositional controls by re-logging and re-analyzing select drill holes with a Niton portable x-ray fluorescence (“XRF”) to determine geochemical variability. In 2011, NovaGold began an initial drill program to verify the historical database and exploration potential and conducted additional geophysical surveys to provide better targeting tools for continued exploration in the district. In 2012, we expanded the IP geophysical coverage completing a major district-wide survey that targeted the prospective Bornite Carbonate sequence. Subsequent resource drilling between 2011 and 2013 based on the exploration targeting is discussed in the “*Bornite Project - Mineral Resource Estimates*” section below.

2006 NovaGold Exploration

In 2006, NovaGold contracted Fugro Airborne Surveys to complete a detailed helicopter DIGHEM magnetic, EM and radiometric survey of the Cosmos Hills. The survey covered a rectangular block approximately 18 km by 49 km which totaled 2,852 line kilometres. The survey was flown at 300 m line spacing with a line direction of N20E. The DIGHEM helicopter survey system produced detailed profile data of magnetics, EM responses and radiometrics (total count, uranium, thorium, and potassium) and was processed into maps of magnetics, discrete EM anomalies, EM apparent resistivity, and radiometric responses.

2010 NovaGold Exploration

In 2010, in anticipation of completing the NANA Agreement, NANA granted NovaGold permission to begin low level exploration at Bornite; this consisted of re-logging and re-analyzing select drill holes using a Niton portable XRF. In addition to the 2010 re-logging effort, NovaGold contracted a consulting geophysicist, Lou O'Connor, to compile a unified airborne magnetic map for the Ambler mining district from Kennecott, Alaska DNR, and NovaGold airborne geophysical surveys.

2011 NovaGold Exploration

In 2011, NovaGold contracted Zonge International Inc. (“Zonge”) to conduct both dipole-dipole complex resistivity induced polarization (“CRIP”) and natural source audio-magnetotelluric (“NSAMT”) surveys over the northern end of the prospect to develop tools for additional exploration targeting under cover to the north.

NSAMT data were acquired along two lines totaling 5.15 line-km, with one line oriented generally north-south through the centre of the survey area and one being the southernmost east-west line in the survey area. CRIP data were acquired on five lines: four east-west lines and one north-south line, for a total coverage of 14.1 line-km and 79 collected CRIP stations. The initial objective of the survey was to investigate geological structures and the distribution of sulphides possibly associated with copper mineralization.

Results from the paired surveys show that wide-spaced dipole-dipole resistivity is the most effective technique to directly target the mineralization package. Broad low resistivity anomalies reflecting pyrite haloes and mineralization appear to define the limits of the fluid package. Well-defined and often very strong chargeability anomalies are also present, but appear in part to be masked by phyllitic units which also have strong chargeability signatures. The NSAMT show similar resistivity features as the IP, but are less well resolved.

2012 Trilogy Exploration

In light of the success of the 2011 geophysical program, we contracted Zonge to conduct a major district-wide dipole/dipole IP survey, a down-hole IP radial array survey in the South Reef area, and an extensive physical property characterization study of the various lithologies to better interpret the existing historical geophysical data.

Zonge completed 48 line km of 200 m dipole/dipole IP during 2012, infilling and expanding on the 2011 survey, and stretching across the most prospective part of the outcropping permissive Bornite Carbonate sequence. The results show a well-defined low resistivity area associated with mineralization and variable IP signatures attributed both to mineralization and the overlying Beaver Creek phyllite.

Numerous target areas occur in the immediate Bornite area with lesser targets occurring in the Aurora Mountain and Pardner Hill areas and in the far east of the survey area. During the 2012 drill program at South Reef, a single drill hole was targeted on a low resistivity area approximately 500 m to 600 m southeast of the South Reef mineralization trend. Although the drill hole intersected some dolomite alteration in the appropriate stratigraphy, no significant sulphides were encountered.

In addition to the extensive ground IP survey, Zonge also completed 9 km of down-hole radial IP using an electrode placed in drill hole RC12-0197 to further delineate the trend and potential in and around the South Reef. In addition to the 2012 ground geophysical surveys, extensive physical property data including resistivity, chargeability, specific gravity, and magnetic susceptibility were captured for use in modelling the existing ground IP and gravity surveys, and the airborne EM and magnetic surveys.

In addition to geophysical focused exploration, a district wide geologic map was compiled integrating Kennecott's 1970's mapping of the Cosmos Hills with selective Trilogy mapping in 2012.

2013 Trilogy Exploration

The emphasis of the 2013 program was to further validate and refine the 2012 geologic map of the Cosmos Hills. A deep penetrating soil and vegetation geochemical orientation survey was completed over the South Reef deposit, utilizing various partial leaches and pH methods. The initial, approximately 1 km, test lines suggest a good response for several of the partial leaches of the soils but little response in the vegetative samples; further follow-up is warranted to the north of the deposit into the Ambler lowlands.

2014 Trilogy Exploration

During 2014, exploration work was limited to a re-logging and re-sampling program of historical Kennecott drill core.

2015 Trilogy Exploration

As a follow-up to the 2013 field program, a deep penetrating soil and vegetation geochemical survey was extended north of the deposit into the Ambler lowlands. Trilogy geologists completed a litho-geochemical desktop study and a comprehensive update to the 3D lithology model; the updated domains have been utilized in the most recent resource estimation.

2017 Trilogy Exploration

The 2017 field program extended the 2013 and 2015 Deep Penetrating Geochemical (DPG) soil survey another 500m to the northeast. The 2013 soil line was extended 1500m to the east to test over the covered projection of the Two Grey Hills carbonate section. The 3D lithology model was updated to incorporate the 2017 drill program results, which are described in Section 10,

Trilogy Metals also completed a close spaced (100m station spacing) ground gravity survey over a 2 km by 4km grid covering the existing resource area and extending northeast over the 2017 drill target area. The complete Bouguer Anomaly (CBA) residual plot (removes a strong decreasing to the northeast regional gradient) shows good correlation with the Lower Reef mineralization that outcrops on surface with the gravity high gradually decreasing down-dip to the northeast.

As part of the overall gravity program, Mira Geosciences created a petrophysical model for the Bornite Deposit that synthesized the expected gravity response on surface (forward model) for the 2017 gravity stations. This forward model matches very closely with the actual survey data over the deposit area, but diverges on the south end where the expected response of gravity low is actually a strong gravity high that may reflect shallow mineralization up-dip along the South Reef trend. Mira also completed a geologically constrained 3D inversion using the 2017 gravity data. Two areas of anomalously high densities (>2.9 g/cc) were identified. The first area extends up to 750m to the east-northeast of RC17-0239, which was one of the more successful holes in 2017 and is coincident with the Iron Mountain structure. The second anomaly is located just above the Anirak contact (Lower Reef) to the west of the 2017 target area and 700m to the north of the closest drill hole (RC-53), which is weakly mineralized along that horizon. This area falls along the northwest-southeast high grade thickness trend.

2018 Trilogy Exploration

The 2018 field program comprised of 12 drill holes totaling approximately 10,123 meters (33,212 feet) of exploration drilling through a combination of infill and expansion drill holes in and around the known deposit. The original drilling campaign was budgeted to be

8,000 meters utilizing 3 drill rigs and was subsequently expanded to 10,000 meters with the addition of 2 more drill rigs. The 2018 program followed up on drilling completed during the 2017 exploration program, which was one of the larger programs in the history of drilling at the Bornite Project. The objective of the 2018 drill campaign was to infill and expand the currently defined open pit and underground mineral resources.

Bornite Project – Drilling

A total of 214 surface core holes and 51 underground core holes, totaling 104,587 meters have been drilled targeting the Bornite deposit during 23 different annual campaigns dating from 1957 through 2019. All the drill campaigns, except for the 2011 NovaGold campaign and the 2012, 2013, 2017 to 2019 Trilogy campaigns were completed by Kennecott or their exploration subsidiary BCMC. All drill holes except RC13-230 and RC13-232 which have been reserved for metallurgical studies and the 2017 to 2019 drill holes were utilized in the estimation of the current resource. The 2017 through 2018 drill holes were used for a resource estimation in early 2019 that was not materially different for the current resource and was not disclosed.

The 2018 drill program consisted of 12 drill holes totaling 10,123 meters (33,212 feet) of exploration drilling through a combination of infill and expansion drill holes in and around the known deposit. The original drilling campaign was budgeted at 8,000 meters utilizing 3 drill rigs and was subsequently expanded to 10,000 meters with the addition of 2 more drill rigs. The 2018 program followed up on drilling completed during the 2017 exploration program, which was one of the larger programs in the history of drilling at the Bornite Project. The objective of the 2018 drill campaign was to infill and expand the currently defined open pit and underground mineral resources.

In the 2017 drill campaign, nine holes were initiated but two abandoned due to drilling problems. The seven drill holes completed in 2017 stepped-out between 250 to 400m from the previous drill holes, distances considered too far to support the estimation of mineral resources. Additional, closer-spaced drill holes are required in this area to provide the degree of confidence required to support resource estimation.

Sprague and Henwood, a Pennsylvania-based drilling company, completed all of the Kennecott drilling, with the exception of the 1997 program (three drill holes) completed by Tonto Drilling Services, Inc. (a NANA-Dynatech company). The 2011 thru 2013 NovaGold/Trilogy programs used Boart Longyear Company as the drill contractor. The 2017 program used Tuuq Drilling, a NANA company, who sub-contracted Major Drilling.

In the initial years of drilling at Bornite, Kennecott relied on AX core (1.1875 in or 30.2 mm diameter), but, as drilling migrated towards deeper targets, a change to BX core (1.625 in or 41.3 mm diameter) was implemented to help limit deviation. From 1966 to 1967, drilling activity at Bornite moved underground and EX diameter core (0.845 in or 21.5 mm diameter) was implemented to define the Ruby Creek Upper Reef zone “No.1 Ore Body”. Drilling activity moved back to the surface in 1968, and, from 1968 to 1972, BX core was most commonly drilled. In later years, core size increased to NX (2.125 in or 54.0 mm diameter) and finally, in 2011, core size increased to NQ (1.874 in or 47.6 mm diameter) and HQ (2.5 in or 63.5 mm diameter). Progressively larger diameter drill rods have been continually used over the years in an attempt to minimize drill hole deviation.

There is only partial knowledge of specific drill core handling procedures used by Kennecott during their tenure at the Bornite Deposit. All of the drill data collected during the Kennecott drilling programs (1958 to 1997) was logged on paper drill logs, copies of which are stored in the Kennecott office in Salt Lake City, Utah. Electronic scanned copies of the paper logs, in PDF format, are held by Trilogy. Drill core was sawed or split with a splitter, with half core submitted to various assay labs and the remainder stored in the Kennecott core storage facility at the Bornite Deposit. In 1995, Kennecott entered the drill assay data, the geologic core logs, and the down hole collar survey data into an electronic format. In 2009, NovaGold geologists verified the geologic data from the original paper logs against the Kennecott electronic format and then merged the data into a Microsoft™ SQL database. Sampling of drill core by Kennecott and BCMC focused primarily on the moderate to high grade mineralized zones. Intervals of visible sulphide mineralization containing roughly >0.5 to 1% copper were selected for analysis by Union Assay Office Inc. of Salt Lake City, Utah. This approach left numerous intervals containing weak to moderate copper mineralization un-sampled in the historic drill core. During the 2012 exploration program, we began sampling a portion of this remaining drill core in select holes in the South Reef area. Trilogy extended this sampling program to the Ruby Creek area in 2013 and 2014.

Throughout our tenure at Bornite, the following core handling procedures have been implemented. Core is slung by helicopter, or transported by truck or ATV, from the drill rig to the core-logging facility. Upon delivery, geologists and geotechnicians open and inspect the core boxes for any irregularities. They first mark the location of each drilling block on the core box, and then convert footages on the blocks into metric equivalents. Geotechnicians or geologists measure the intervals (or “from/to”) for each box of core and include

this information, together with the drill hole ID and box number, on a metal tag stapled to the end of each box. Geotechnicians then measure the core to calculate percent recovery and rock quality designation (“RQD”). RQD is the sum of the total length of all pieces of core over 12 cm in a run. The total length of core in each run is measured and compared to the corresponding run length to determine percent recovery. Core is then logged with lithology and visual alteration features captured on observed interval breaks. Mineralization data, including sulphide specie and abundance (recorded as percent), t and gangue and vein mineralogy are collected for each sample interval with an average interval of approximately 2 m. Structural data is collected as point data. Geologists then mark sample intervals to capture each lithology or other geologically appropriate intervals. Sample intervals of core are typically between 1 m and 3 m in length but are not to exceed 3 m in length. Occasionally, if warranted by the need for better resolution of geology or mineralization, smaller sample intervals have been employed. Geologists staple sample tags on the core boxes at the start of each sample interval and mark the core itself with a wax pencil to designate sample intervals. This sampling approach is considered sound and appropriate for this style of mineralization and alteration. Drill core is digitally photographed prior to sampling. Drill core is cut in half using diamond core saws. Specific attention to core orientation is maintained during core sawing to ensure that representative samples are obtained. One-half of the core is retained in the core box for storage on site, or at our Fairbanks warehouse, and the other half bagged and labeled for analysis. Samples are selected for specific gravity measurements.

In 2013, 33 historic drill holes in the Ruby Creek area, and in 2014, 37 historic drill holes in the Ruby Creek Area were re-logged, re-sampled and re-assayed as these holes had previously only been selectively sampled by Kennecott. Entire holes were re-logged utilizing Trilogy protocols discussed above. Samples were submitted either as half-core, where previously sampled, or whole core where un-sampled (this was done to ensure that a sufficient volume of material was provided for analysis). Sample intervals were matched to historic intervals whenever possible or selected to reflect Trilogy sampling procedures described above. The objectives of the re-assay/re-logging program were threefold: 1) to implement a QA/QC program on intervals previously sampled by Kennecott in order to confirm the validity of their results; 2) to identify additional lower grade (0.2-0.5% copper), which was not previously sampled; and 3) to provide additional multi-element ICP data to assist in the geologic interpretation of the deposit.

Bornite Project - Sample Preparation, Analyses and Security

Sample preparation, analytical lab accreditation and security measures taken during historical Kennecott and BCMC programs are unknown to us; however, we are not aware of any reason to suspect that any of these samples have been tampered with. The 2011 to 2013 and 2017 samples were either in the custody of NovaGold or Trilogy personnel or the assay laboratories at all times, and the chain of custody of the samples is well documented.

Once drill core was sawed, one half was retained for future reference and the other half was sent to ALS Minerals (formerly ALS Chemex) in Vancouver for analyses. Shipment of core samples from the Bornite camp occurred whenever backhaul capacity was available on the chartered aircraft, which was generally 5 to 6 days a week. Rice bags, containing two to four individual poly-bagged core samples, were marked and labeled with the ALS Minerals address, project name (Bornite), drill hole number, bag number, and sample numbers enclosed. Rice bags were secured with a pre-numbered plastic security tie, assembled into loads for transport by chartered flights on a commercial airline to Fairbanks, and directly delivered by a contracted expeditor to the ALS Minerals preparation facility in Fairbanks. In addition to the core samples, control samples were inserted into the shipments at the rate of one standard, one blank and one duplicate per 17 core samples. Samples were logged into a tracking system on arrival at ALS Minerals, and weighed. Samples were then crushed, dried, and a 250 g split was pulverized to greater than 85% passing 75 µm.

Gold assays in 2011 and 2012 were determined using fire analysis followed by an atomic absorption spectroscopy (“AAS”) finish; gold was not analyzed in 2013 or 2014. The lower detection limit was 0.005 ppm gold; the upper limit was 10 ppm gold. An additional 48-element suite was assayed by inductively coupled plasma-mass spectrometry (“ICP-MS”) and ICPAES methodologies, following a four acid digest. Over limit (>1.0%) copper and zinc analyses were completed by AA, following a four acid digest.

ALS Minerals has attained International Organization for Standardization (ISO) 9001:2000 registration. In addition, the ALS Minerals laboratory in Vancouver is accredited to ISO 17025 by Standards Council of Canada for a number of specific test procedures including fire assay of gold by AA, ICP and gravimetric finish, multi-element ICP and AA assays for silver, copper, lead and zinc. Trilogy has no relationship with any primary or check assay labs utilized.

During 2012, 2013, and 2014, Trilogy staff performed continuous validation of the drill data; both while logging was in progress and after the field program was complete. Trilogy also retained independent consultant Caroline Vallat, P.Geo. of GeoSpark Consulting Inc. to: 1) import digital drill data to the master database and conduct QA/QC checks upon import, 2) conduct a QA/QC review of paired historical assays and Trilogy 2012, 2013 and 2014 re-assays; 3) monitor an independent check assay program for the 2012, 2013, and 2014 campaigns; and 4) generate a QA/QC report for the 2012, 2013, and 2014 campaigns along with a 2017 review of the cobalt data.

Bornite Project - Mineral Resource Estimates

The mineral resource estimate has been prepared by BD Resource Consulting, and SIM Geological Inc. We have filed several previous NI 43-101 Technical Reports on the Bornite Project dated March 18, 2014, February 5, 2013, July 18, 2012 and April 19, 2016. The effective date of this resource is June 5, 2018.

During the summer of 2017, Trilogy drilled seven drill holes testing the area down-dip continuity of the northern part of the Bornite deposit. These drill holes successfully tested the mineralized target horizon but the spacing of these holes is considered too far to support the generation of additional mineral resource estimates. As a result, the estimates of copper resources remain unchanged from those reported in April 2016.

During the period from 2011 through 2017, Trilogy implemented an expanded program of re-sampling and re-assaying for an extended suite of elements including cobalt. This report includes a description of the procedures used to estimate cobalt resources for the Bornite deposit.

The Bornite Project database comprises a total of 243 diamond drill (core) holes totaling 86,5845 m; 173 holes target the Ruby Creek zone and 45 holes target the South Reef zone. The remaining 25 holes in the database are exploratory in nature and test for satellite mineralization proximal to the Bornite Deposit. The database contains a total of 32,138 samples that have been analyzed for copper content and 26,574 that have been analyzed for cobalt content. During 2014, Trilogy geologists re-logged and sampled 37 Kennecott drill holes comprising approximately 13,000 meters with partial or no assays. The resource estimate incorporates the results from the 2014 field program as well as advancements to the 3D geological model completed during 2015.

Mineralization in the Ruby Creek zone occurs as two discrete strata bound lenses: a Lower Reef which outcrops and dips approximately 10-15 degrees to the northeast; and an Upper Reef lying roughly 150+ meters above the Lower Reef stratigraphy and which includes a small high-grade zone historically referred to as the "No.1 Orebody" by Kennecott. Mineralization is hosted by a Devonian age carbonate sequence containing broad zones of dolomite alteration and associated sulfide mineralization including bornite, chalcocite, and chalcocite occurring as disseminations and vein stockworks as well as crackle and mosaic breccia fillings and locally massive to semi-massive replacement bodies. The geological and assay database have been reviewed and audited by BDRC and SGI. It is of the opinion of BDRC and SGI that the current drilling information is sufficiently reliable to interpret with confidence the boundaries for copper mineralization and that the assay data are sufficiently reliable to support mineral resource estimation. That estimation utilizes two-meter compositing of assays from 216 drill holes completed between 1961 and 2013. Estimated blocks were 5 x 5 x 5 meters on a side.

Sixty domains were established for the estimation, all of which were treated as hard boundaries with no mixing of data between the domains. A series of carbonate and phyllite lithology domains together with grade probability shells at 2% copper and 0.2% copper thresholds were used to constrain the estimates. Visual inspections of the probability shells show that they fit well with observed levels of bornite, chalcocite and chalcocite mineralization.

Based on the interpreted local high-grade nature of the mineralization, both capping and outlier restriction strategies were implemented to control the influence of high-grade mineralization in the resource model. This methodology removed approximately 3% of the contained copper in the Ruby Creek area and 7% of the contained copper in the South Reef area.

A total of 5,366 samples containing specific gravity measurements were utilized to estimate densities in the block model. Specific gravity values were estimated into model blocks using inverse distance squared moving averages using the domains described previously.

Copper and cobalt grades in model blocks were estimated using ordinary kriging. A dynamic search orientation strategy was utilized, during both grade and specific gravity interpolations, which is controlled by the interpreted trends of mineralization in the Upper, Lower and South Reef zones. The block model has been validated through a combination of visual and statistical methods to ensure that the grade and density estimates are an appropriate representation of the underlying sample data.

The Bornite deposit comprises several zones of relatively continuous moderate- to high-grade copper mineralization that extends from surface to depths of more than 800 m below surface. The deposit is potentially amenable to a combination of open pit and underground extraction methods. It is important to recognize that these discussions of underground and surface mining parameters are used solely for the purpose of testing the "reasonable prospects for economic extraction," and do not represent an attempt to estimate mineral reserves. No mineral reserves have been calculated for the Bornite Project.

Indicated Mineral Resources includes blocks in the model that are potentially amenable to open pit extraction methods and are delineated by drilling with holes spaced at a maximum distance of 75 meters and exhibit a relatively high degree of confidence in the grade and continuity of mineralization. Resources in the Inferred category require a minimum of one drill hole within a maximum distance of 100 m and exhibit reasonable confidence in the grade and continuity of mineralization.

In the opinion of the Qualified Persons, the level of understanding of the geologic controls that influence the distribution of copper mineralization at the Bornite Deposit is relatively good. The drilling, sampling and validation practices utilized by Trilogy during the various campaigns have been conducted in a professional manner and adhere to accepted industry standards. The confidence in older, historic, drilling conducted by Kennecott has been demonstrated through a series of validation checks and, overall, the underlying database is considered sufficient for the estimation of Indicated and Inferred mineral resources. The mineral resources have been estimated in conformity with generally accepted CIM Estimation of Mineral Resources and Mineral Reserves Best Practices Guidelines and are reported in accordance with the Canadian Securities Administrators’ NI 43-101. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resource will be converted into mineral reserve. The estimate of mineral resources for the Bornite Project are summarized in “*Bornite Project – Mineral Resource Statement*”.

Bornite Project - Mineral Resource Statement

Mineral Resources are classified in accordance with the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014).

Table 6: Indicated Resource Estimate for the Bornite Project

See “*Cautionary Note to United States Investors*”. This section uses the term “indicated resources”. We advise United States investors that these terms are not recognized by the SEC. United States investors are cautioned not to assume that estimates of indicated mineral resources are economically minable or will be upgraded into measured mineral resources. See “*Risk Factors*” and “*Cautionary Note to United States Investors*”.

Estimate of Copper Mineral Resources – Indicated

Type	Cut-off (Cu %)	M tonnes	Grade (Cu %)	Contained Metal (Mlbs Cu)
Indicated				
In-Pit ⁽²⁾	0.5	40.5	1.02	913

- Notes:
1. These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. Mineral resources that are not mineral reserves do not have demonstrated economic viability. See “*Risk Factors*” and “*Cautionary Note to United States Investors*.”
 2. Resources stated as contained within a pit shell developed using a metal price of US\$3.00/lb Cu, mining costs of US\$2.00/tonne, milling costs of US\$11/tonne, G&A cost of US\$5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees.
 3. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
 4. Tonnage and grade measurements are in metric units. Contained copper are reported as imperial pounds.
 5. All amounts are stated in U.S. dollars unless otherwise noted.
 6. Mineral resources are reported on a 100% basis. Following the formation of the Joint Venture, Trilogy and South32 each own 50% of the Bornite Project.

Table 7: Inferred Resource Estimate for the Bornite Project

See “*Cautionary Note to United States Investors*”. This section uses the term “inferred resources”. We advise United States investors that these terms are not recognized by the SEC. The estimation of inferred resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources. See “*Risk Factors*” and “*Cautionary Note to United States Investors*”.

Estimate of Copper Mineral Resources – Inferred

Type	Cut-off (Cu %)	M tonnes	Grade (Cu %)	Contained Metal (Mlbs Cu)
Inferred				
In-Pit ⁽²⁾	0.5	84.1	0.95	1,768
Below-Pit ⁽³⁾	1.5	57.8	2.89	3,683
Total Inferred		141.9	1.74	5,450

- Notes:
1. These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. See “Risk Factors” and “Cautionary Note to United States Investors.”
 2. Resources stated as contained within a pit shell developed using a metal price of US\$3.00/lb Cu, mining costs of US\$2.00/tonne, milling costs of US\$11/tonne, G&A cost of US\$5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees.
 3. Mineral resources at a 1.5% cut-off are considered as potentially economically viable in an underground mining scenario based on an assumed projected copper price of \$3.00/lb, underground mining costs of \$65.00 per tonne, milling costs of \$11.00 per tonne, G&A of \$5.00 per tonne, and an average metallurgical recovery of 87%.
 4. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
 5. Tonnage and grade measurements are in metric units. Contained copper are reported as imperial pounds.
 6. All amounts are stated in U.S. dollars unless otherwise noted.
 7. Mineral resources are reported on a 100% basis. Following the formation of the Joint Venture, Trilogy and South32 each own 50% of the Bornite Project.

Estimate of Cobalt Mineral Resources – Inferred

Class	Type	Cut-off (Cu %)	Tonnes (million)	Average Grade Co (%)	Contained Metal Co (Mlbs)
Inferred	In-Pit ⁽¹⁾	0.5	124.6	0.017	45
Inferred	Below-Pit	1.5	57.8	0.025	32
Inferred	Total		182.4	0.019	77

1. Resources stated as contained within a pit shell developed using a metal price of US\$3.00/lb Cu, mining costs of US\$2.00/tonne, milling costs of US\$11/tonne, G&A cost of US\$5.00/tonne, 87% metallurgical recoveries and an average pit slope of 43 degrees.
2. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves.
3. It is reasonably expected that the majority of Inferred mineral resources could be upgraded to Indicated mineral resources with additional exploration.
4. Due to limited sample data, none of the cobalt resource meets the confidence for Indicated class resources. All cobalt resources are considered in the Inferred category.
5. Mineral resources are reported on a 100% basis. Following the formation of the Joint Venture, Trilogy and South32 each own 50% of the Bornite Project.

There are no known factors related to environmental, permitting, legal, title, taxation, socio-economic, marketing or political issues which could materially affect the mineral resource.

Bornite Project – Metallurgy

Metallurgical test work to date indicates that the Bornite Project can be treated using standard grinding and flotation methods to produce copper concentrates. Initial testing indicates copper recoveries of approximately 87% resulting in concentrate grades of approximately 28% copper with very low potential penalty elements. Further metallurgical test work is warranted to test these assumptions.

Bornite Project – Environmental Considerations

The Bornite Project area includes NANA’s Bornite and ANCSA lands, the Ruby Creek drainage (a tributary of the Shungnak River), the Shungnak River drainage, and portions of the Ambler Lowlands. Since 2007, baseline environmental data collection has occurred in the area including archaeology, aquatic life surveys, sediment sampling, wetlands mapping, surface water quality sampling, hydrology, meteorological monitoring, and subsistence. Additional baseline environmental data in NANA’s Bornite and ANCSA lands, the Ruby Creek drainage, the Shungnak River drainage, portions of the Ambler Lowlands, and downstream receiving environments will be required to support future mine design, development of an EIS, permitting, construction and operations.

Bornite Project – Mining Operations

The Bornite Project is not currently in production; for contemplated exploration or development activities see below.

Bornite Project – Exploration and Development Permitting

Development of the Bornite Project will require a significant number of permits and authorizations from state, federal, and regional organizations. Much of the groundwork to support a successful permitting effort must be undertaken prior to submission of permit applications so that issues can be identified and resolved, baseline data can be acquired, and regulators and stakeholders can become familiar with the proposed project. The comprehensive permitting process for the Bornite Project can be divided into three categories:

1. Exploration state/regional permitting: required to obtain approval for drilling, camp operations, engineering, and environmental baseline studies.
2. Pre-application phase: conducted in conjunction with engineering feasibility studies. This stage includes the collection of environmental baseline data and interaction with stakeholders and regulators to facilitate the development of a project that can be successfully permitted.
3. The National Environmental Policy Act phase: formal agency review of the Federal and State requirements for public and agency participation to determine if and how the Bornite Project can be done in an acceptable manner.

The permit review process will determine the number of management plans required to address all aspects of the Project to ensure compliance with environmental design and permit criteria. Each plan will describe the appropriate environmental engineering standard and the applicable operations requirements, maintenance protocols, and response actions.

Item 3. LEGAL PROCEEDINGS

From time to time, we are a party to routine litigation and proceedings that are considered part of the ordinary course of business. We are not aware of any material current, pending, or threatened litigation. There are no material proceedings pursuant to which any of our directors, officers or affiliates or any owner of record or beneficial owner of more than 5% of our securities or any associate of any such director, officer or security holder is a party adverse to us or has a material interest adverse to us.

Item 4. MINE SAFETY DISCLOSURES

Operations are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). At our current stage of exploration, we are not yet subject to MSHA.

Companies required to file periodic reports under the Exchange Act, that operate mines regulated under the Mine Act are required to make certain disclosures pursuant to Section 1503(a) of Dodd-Frank. We have nothing to disclose pursuant to Section 1503(a) of Dodd-Frank for the fiscal year ended November 30, 2019.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the TSX and the NYSE American under the symbol "TMQ". As of February 12, 2020, there were 1,469 registered holders of our Common Shares.

Dividend Policy

We have not declared or paid any dividends on our Common Shares. Our current business plan requires that for the foreseeable future, any future earnings be reinvested to finance the growth and development of our business. We will not declare or pay any dividends until such time as our cash flow exceeds our capital requirements and will depend upon, among other things, conditions then existing including earnings, financial condition, restrictions in financing arrangements, business opportunities and conditions and other factors, or our Board determines that our shareholders could make better use of the cash.

Unregistered Sales of Equity Securities

None.

Repurchase of Securities

During fiscal year 2019, neither Trilogy nor any affiliate of Trilogy repurchased Trilogy Common Shares.

Exchange Controls

There are no governmental laws, decrees or regulations in Canada that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to non-resident holders of the securities of Trilogy, other than Canadian withholding tax.

Certain Canadian Federal Income Tax Considerations for U.S. Holders

The following is a general summary of the principal Canadian federal income tax considerations generally applicable under *Income Tax Act* (Canada) (the "Tax Act") to a holder of Common Shares, each of whom, at all relevant times, for the purposes of the Tax Act, holds such Common Shares as capital property, deals at arm's length with the Company, is not affiliated with the Company and, for purposes of the Tax Act, is not, is not deemed to be, a resident of Canada and has not and will not use or hold or be deemed to use or hold the Common Shares in the course of carrying on business in Canada (a "Non-Resident Holder") and is not a "specified shareholder" (as defined in subsection 18(15) of the Tax Act. A "specified shareholder" for these purposes generally includes a person who (either alone or together with persons with whom that person is not dealing at arm's length for purposes of the Tax Act) owns or has the right to acquire or control 25% or more of the Common Shares determined on a votes or fair market value basis. Special rules, which are not discussed below, may apply to a non-resident of Canada that is an insurer which carries on business in Canada and elsewhere.

The Common Shares will generally be considered capital property to a Non-Resident Holder unless either (i) the Non-Resident Holder holds the Common Shares in the course of carrying on a business of buying and selling securities or (ii) the Non-Resident Holder has acquired the Common Shares in a transaction or transactions considered to be an adventure or concern in the nature of trade.

The term "U.S. Holder," for the purposes of this section, means a Non-Resident Holder who, for purposes of the *Canada-United States Income Tax Convention* (1980) as amended, (the "Convention"), is at all relevant times a resident of the United States and is a "qualifying person" within the meaning of the Convention. In some circumstances, fiscally transparent entities (including limited liability companies) will be entitled to benefits under the Convention. U.S. Holders are urged to consult with their own tax advisors to determine their entitlement to benefits under the Convention based on their particular circumstances.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), the current provisions of the Convention, counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") publicly available prior to the date hereof. This summary also takes into account all specific proposals to

amend the Tax Act and Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (collectively, the “Proposed Tax Amendments”). No assurances can be given that the Proposed Tax Amendments will be enacted or will be enacted as proposed. Other than the Proposed Tax Amendments, this summary does not take into account or anticipate any changes in law or the administration policies or assessing practice of CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular U.S. Holder and no representations with respect to the income tax consequences to any particular U.S. Holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, U.S. Holders should consult their own tax advisors with respect to their own particular circumstances. The discussion below is qualified accordingly.

Currency Conversion

Subject to certain exceptions that are not discussed herein, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares, including dividends, adjusted cost base and proceeds of dispositions must be determined in Canadian dollars using the daily exchange rate of the Bank of Canada on the particular date the particular amount arose or such other rate of exchange as acceptable to the CRA.

Disposition of Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of the Common Shares, nor will capital losses arising from the disposition be recognized under the Tax Act, unless the Common Shares constitute “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention. As long as the shares are then listed on a “designated stock exchange” (as defined in the Tax Act) (which currently includes the TSX and the NYSE American) at the time of disposition, the Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless at any time during the 60-month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, partnerships in which the Non-Resident Holder or persons with whom the Non-Resident Holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, or the Non-Resident Holder together with all such persons, owned or was considered to own 25% or more of the issued shares of any class or series of shares of the capital stock of the Company; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource properties” (as defined in the Tax Act), “timber resource properties” (as defined in the Tax Act) or a options in respect of, or interests in, or civil law rights in, such properties, whether or not it exists.

If the Common Shares are taxable Canadian property to a Non-Resident Holder, any capital gain realized on the disposition or deemed disposition of such shares, may not be subject to Canadian federal income tax pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder, including the Convention.

A Non-Resident Holder whose shares are taxable Canadian property should consult their own advisors.

Dividends on Common Shares

Under the Tax Act, dividends on shares paid or credited to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividends. This withholding tax may be reduced pursuant to the terms of an applicable income tax treaty or convention between Canada and the country of residence of a Non-Resident Holder. Under the Convention, a U.S. Holder will generally be subject to Canadian withholding tax at a rate of 15% of the gross amount of such dividends (or 5% in the case of a U.S. Holder that is a company beneficially owning at least 10% of the Company’s voting shares). In addition, under the Convention, dividends may be exempt from Canadian non-resident withholding tax if paid to certain U.S. Holders that are qualifying religious, scientific, literary, educational or charitable tax-exempt organizations and qualifying trusts, companies, organizations or arrangements operated exclusively to administer or provide pension, retirement or employee benefits that are exempt from tax in the United States and that have complied with specific administrative procedures.

Certain U.S. Federal Income Tax Considerations

The following is a general summary of certain anticipated U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of Common Shares.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of acquisition of Common Shares. Furthermore, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to such U.S. Holder of Common Shares. Except as specified below, this summary does not discuss applicable tax reporting requirements. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. U.S. Holders should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

No ruling from the U.S. Internal Revenue Service (the “IRS”) or legal opinion has been requested, or will be obtained, regarding the potential U.S. federal income tax considerations applicable to U.S. Holders as discussed in this summary. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.

Scope of this Summary

Authorities

This summary is based on the U.S. Internal Revenue, as amended (“Code”), regulations promulgated by the Department of the Treasury (whether final, temporary or proposed) (“Treasury Regulations”), U.S. court decisions, published rulings and administrative positions of the IRS, and the Convention, that are applicable and, in each case, in effect as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis, which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

U.S. Holders

For purposes of this section, a “U.S. Holder” is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the United States for U.S. federal income tax purposes; (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the United States or any state in the United States, including the District of Columbia; (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income; or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes, or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders

For purposes of this summary, a “Non-U.S. Holder” is a beneficial owner of Common Shares that is neither a U.S. Holder nor a U.S. partnership (or other “pass-through” entity). This summary does not address the U.S. federal income tax considerations applicable to Non-U.S. Holders relating to the acquisition, ownership and disposition of Common Shares. Accordingly, Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) relating to the acquisition, ownership, and disposition of Common Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, underwriters, insurance companies, real estate investment trusts or regulated investment companies or that are broker-dealers, dealers, or traders in securities or currencies that elect to apply a

mark-to-market accounting method; (c) U.S. Holders that have a “functional currency” other than the U.S. dollar; (d) U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale or other arrangement involving more than one position; (e) U.S. Holders that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (f) U.S. Holders that hold Common Shares other than as a capital asset (generally property held for investment purposes) within the meaning of Section 1221 of the Code; (g) U.S. Holders that are required to accelerate the recognition of any item of gross income with respect to Common Shares as a result of such income being recognized on an applicable financial statement; or (h) U.S. Holders that own, directly, indirectly or by attribution, 10% or more, by voting power or value, of the outstanding shares of the Company. The summary below also does not address the impact on persons who are U.S. expatriates or former long-term residents of the United States subject to Section 877 of the Code. U.S. Holders and others that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors.

If an entity that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences applicable to such partnership (or “pass-through” entity) and the partners of such partnership (or owners of such “pass-through” entity) generally will depend on the activities of the partnership (or “pass-through” entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of “pass-through” entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences relating to the acquisition, ownership and disposition of Common Shares.

Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. estate and gift, U.S. alternative minimum tax, or foreign tax consequences to U.S. Holders relating to the acquisition, ownership, and disposition of Common Shares. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. estate and gift, U.S. federal alternative minimum tax and foreign tax consequences relating to the acquisition, ownership, and disposition of Common Shares.

U.S. Federal Income Tax Consequences of the Acquisition, Ownership and Disposition of Common Shares

Distributions on Common Shares

Subject to the PFIC rules discussed below, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder’s tax basis in the Common Shares and thereafter as a gain from the sale or exchange of such Common Shares (see “*Sale or Other Taxable Disposition of Common Shares*” below). However, the Company does not intend to maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Subject to applicable limitations, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC (as discussed below) in the tax year of distribution or in the preceding tax year. Dividends received on Common Shares by corporate U.S. Holders will not be eligible for the “dividends received deduction”. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of Common Shares a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between (a) the amount of cash plus the fair market value of any property received and (b) its tax basis in such Common Shares sold or otherwise disposed of. Such gain generally will be treated as “U.S. source” for purposes of applying the U.S. foreign tax credit rules unless the gain is subject to tax in Canada and is re-sourced as “foreign source” under the Convention and such U.S. Holder elects to treat such gain or loss as “foreign source” (see a more detailed discussion at “*Foreign Tax Credit*” below). Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such Common Shares are held for more than one year. Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Foreign Tax Credit

Subject to the PFIC rules discussed below, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income that is subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own U.S. tax advisors regarding the foreign tax credit rules.

Receipt of Foreign Currency

The amount of any distribution paid in foreign currency to a U.S. Holder in connection with the ownership of Common Shares, or on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of actual or constructive receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). If the foreign currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. A U.S. Holder that receives foreign currency and converts such foreign currency into U.S. dollars at a conversion rate other than the rate in effect on the date of receipt may have a foreign currency exchange gain or loss, which generally would be treated as U.S. source ordinary income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. U.S. Holders should consult their own U.S. tax advisors regarding the U.S. federal income tax consequences of receiving, owning and disposing of foreign currency.

Additional Tax on Passive Income

Individuals, estates and certain trusts whose income exceeds certain thresholds will be required to pay a 3.8% Medicare surtax on "net investment income" including, among other things, dividends and net gain from disposition of property (other than property held in certain trades or businesses). Special rules apply to PFICs. U.S. Holders should consult with their own tax advisors regarding the effect, if any, of this tax on their ownership and disposition of Common Shares.

Passive Foreign Investment Company Rules

If the Company is considered a PFIC within the meaning of Section 1297 of the Code at any time during a U.S. Holder's holding period, then certain different and potentially adverse tax consequences would apply to such U.S. Holder's acquisition, ownership and disposition of Common Shares.

PFIC Status of the Company

The Company generally will be a PFIC if, for a given tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income or (b) 50% or more of the assets held by the Company either produce passive income or are held for the production of passive income, based on the fair market value of such assets. "Gross income" generally includes all revenues less the cost of goods sold plus income from investments and from incidental or outside operations or sources, and "passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business, or supplies regularly used or consumed in a trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents or royalties that are received or accrued by the Company from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are pro rata allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will be deemed to own their proportionate share of any subsidiary of the Company which is also a PFIC (a "Subsidiary PFIC"), and will be subject to U.S. federal income tax on (a) a distribution on the

shares of a Subsidiary PFIC and (b) a disposition of shares of a Subsidiary PFIC, both as if the U.S. Holder directly held the shares of such Subsidiary PFIC.

The Company believes that it was not a PFIC for the tax years ended November 30, 2015, 2016 and 2017. The Company believes it was a PFIC for the tax years ended November 30, 2018 and 2019 and may be a PFIC in future tax years. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. The determination of whether the Company (or a subsidiary of the Company) was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company (or subsidiary) will be a PFIC for any tax year depends on the assets and income of the Company (and each such subsidiary) over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or subsidiary) concerning its PFIC status or that the Company (and any subsidiary) was not, or will not be, a PFIC for any tax year. U.S. Holders should consult their own tax advisors regarding the PFIC status of the Company and any subsidiary of the Company.

Default PFIC Rules under Section 1291 of the Code

If the Company is a PFIC, the U.S. federal income tax consequences to a U.S. Holder of the acquisition, ownership and disposition of Common Shares will depend on whether such U.S. Holder makes a QEF election or makes a mark-to-market election under Section 1296 of the Code (a “Mark-to-Market Election”) with respect to Common Shares. A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “Non-Electing U.S. Holder”.

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code with respect to (a) any gain recognized on the sale or other taxable disposition of Common Shares and (b) any excess distribution paid on the Common Shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the Common Shares, if shorter).

If the Company is a PFIC, under Section 1291 of the Code any gain recognized on the sale or other taxable disposition of Common Shares (including an indirect disposition of shares of a Subsidiary PFIC), and any excess distribution paid on Common Shares (or a distribution by a Subsidiary PFIC to its shareholder that is deemed to be received by a U.S. Holder) must be ratably allocated to each day of a Non-Electing U.S. Holder’s holding period for the Common Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or excess distribution and to years before the Company became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest”, which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds Common Shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent years. If the Company ceases to be a PFIC, a Non-Electing U.S. Holder may terminate this deemed PFIC status with respect to Common Shares by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Common Shares were sold on the last day of the last tax year for which the Company was a PFIC.

Under proposed Treasury Regulations, if a U.S. Holder has an option, warrant or other right to acquire stock of a PFIC, such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code. Under rules described below, if the Company was a PFIC, the holding period for the option, warrant or other right would begin on the day after the date a U.S. Holder acquired the option, warrant or other right. This would impact the availability of the QEF Election and Mark-to-Market Election with respect to an option, warrant or other right. Thus, a U.S. Holder would have to account for an option, warrant or other right and Common Shares under the PFIC rules and the applicable elections differently (see discussion below under “*QEF Election*” and “*Market-to-Market Election*”.)

QEF Election

In the event the Company is a PFIC and a U.S. Holder makes a QEF Election for the first tax year in which its holding period of its Common Shares begins, such U.S. Holder generally will not be subject to the rules of Section 1291 of the Code discussed above with

respect to its Common Shares. However, a U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such U.S. Holder's pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, "net capital gain" is the excess of (a) net long-term capital gain over (b) net short-term capital gain, and "ordinary earnings" are the excess of (a) "earnings and profits" over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, a U.S. Holder that makes a QEF Election may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as "personal interest", which is not deductible.

A U.S. Holder that makes a QEF Election generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents "earnings and profits" of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder's tax basis in the Common Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Common Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as "timely" if it is made for the first year in the U.S. Holder's holding period for the Common Shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year.

A QEF Election will apply to the tax year for which such QEF Election is made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in a subsequent tax year, the QEF Election will be effective, and the U.S. Holder will be subject to the QEF rules described above during a subsequent tax year in which the Company qualifies as a PFIC.

As discussed above, under proposed Treasury Regulations, if a U.S. Holder has an option, warrant or other right to acquire stock of a PFIC, such option, warrant or right is considered to be PFIC stock subject to the default rules of Section 1291 of the Code on its disposition. However, a holder of an option, warrant or other right to acquire stock of a PFIC may not make a QEF Election that will apply to the option, warrant or other right to acquire PFIC stock. In addition, under proposed Treasury Regulations, if a U.S. Holder holds an option, warrant or other right to acquire stock of a PFIC, the holding period with respect to shares of stock of the PFIC acquired upon exercise of such option, warrant or other right will include the period that the option, warrant or other right was held. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to Common Shares.

The Company will make available to U.S. Holders, upon their written request, timely and accurate information as to its status as a PFIC, and will provide to a U.S. Holder all information and documentation that a U.S. Holder making a QEF Election with respect to the Company, and any Subsidiary PFIC in which the Company owns, directly or indirectly, more than 50% of such Subsidiary PFIC's total aggregate voting power, is required to obtain for U.S. federal income tax purposes in the event it is a PFIC. However, U.S. Holders should be aware that the Company can provide no assurances that it will provide any such information relating to any Subsidiary PFIC, in which the Company owns, directly or indirectly, 50% or less of such Subsidiary PFIC's aggregate voting power. Because the Company may own shares in one or more Subsidiary PFICs and may acquire shares in one or more Subsidiary PFICs in the future, they will continue to be subject to the rules discussed above with respect to the taxation of gains and excess distributions with respect to any Subsidiary PFIC for which the U.S. Holders do not obtain the required information. U.S. Holders should consult their tax advisor regarding the availability of, and procedure for making, a QEF Election with respect to the Company and any Subsidiary PFIC.

Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the Common Shares are marketable stock. The Common Shares generally will be "marketable stock" if they are regularly traded on (a) a national securities exchange that is registered with the SEC; (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934; or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure and other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced; and (ii) the rules of such foreign exchange ensure active trading of listed stocks. If such stock is traded on such a qualified exchange or other

market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimus quantities, on at least 15 days during each calendar quarter. Each U.S. Holder should consult its own tax advisor regarding whether the Common Shares constitute marketable stock.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Common Shares generally will not be subject to the rules of Section 1291 of the Code discussed above. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for Common Shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the Common Shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares, as of the close of such tax year over (b) such U.S. Holder’s tax basis in such Common Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (i) such U.S. Holder’s adjusted tax basis in the Common Shares over (ii) the fair market value of such Common Shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

U.S. Holders that make a Mark-to-Market Election generally also will adjust their tax basis in the Common Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Common Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years).

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Common Shares cease to be “marketable stock” or the IRS consents to revocation of such election. U.S. Holders should consult their own tax advisors regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to Common Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the interest charge described above with respect to deemed dispositions of Subsidiary PFIC stock or distributions from a Subsidiary PFIC.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Common Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations) in the event the Company is a PFIC during such U.S. Holder’s holding period for the relevant shares. However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Common Shares are transferred.

Certain additional adverse rules will apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses Common Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Common Shares.

In any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

In addition, a U.S. Holder who acquires Common Shares from a decedent will not receive a “step up” in tax basis of such Common Shares to fair market value unless such decedent had a timely and effective QEF Election in place.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC.

The PFIC rules are complex, and U.S. Holders should consult their own tax advisors regarding the PFIC rules and how they may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares in the event the Company is a PFIC at any time during such holding period for such Common Shares.

Information Reporting, Backup Withholding Tax

Certain U.S. Holders are required to report information relating to an interest in Common Shares subject to certain exceptions (including an exception for Common Shares held in accounts maintained by certain financial institutions), by attaching a completed IRS Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold an interest in Common Shares. U.S. Holders should consult their own tax advisors regarding information reporting requirements relating to their ownership of Common Shares.

Payments made within the United States, or by a U.S. payor or U.S. middleman, of dividends on Common Shares, and proceeds arising from certain sales or other taxable dispositions of Common Shares, may be subject to information reporting and backup withholding tax, at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder’s correct U.S. social security or other taxpayer identification number (generally on Form W-9); (b) furnishes an incorrect U.S. taxpayer identification number; (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax; or (d) fails under certain circumstances to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder’s U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder timely furnishes the required information to the IRS. U.S. Holders should consult their own tax advisors regarding the information reporting and backup withholding tax rules.

Item 6. SELECTED FINANCIAL DATA

The selected financial data in the table below have been selected in part, from our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The selected financial data should be read in conjunction with those consolidated financial statements and the notes thereto.

in thousands of dollars, except per share amounts

	Year ended November 30				
	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
Results of operations					
Loss and comprehensive loss for the period	27,905	21,849	21,104	4,862	9,532
Basic and diluted loss per share	0.21	0.18	0.20	0.05	0.12
Financial position					
Working capital	17,803	21,976	4,851	15,056	16,134
Total assets	51,617	54,659	40,279	46,747	51,181
Total long-term liabilities	31,000	20,800	10,365	-	-
Shareholders’ equity	18,263	32,202	25,665	46,154	50,430

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS



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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Trilogy Metals Inc.

Management's Discussion and Analysis

(expressed in US dollars)

General

This Management's Discussion and Analysis ("MD&A") of Trilogy Metals Inc. ("Trilogy", "the Company", "us" or "we") is dated February 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, Trilogly 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 Trilogly 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, Trilogly and Trilogly 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, Trilogly Metals US granted South32 the right to form a 50/50 joint venture to hold all of Trilogly Metals US' Alaskan assets. On formation of the joint venture, Trilogly 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 Trilogly 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 Trilogly 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 ("AMDIAIP")

On October 29, 2019 the comment period closed for the AMDIAIP 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 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

Selected expenses	<i>in thousands of dollars, except for per share amounts</i>		
	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 \$21.1 million 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 11/30/19 \$	Q3 2019 08/31/19 \$	Q2 2019 05/31/19 \$	Q1 2019 02/28/19 \$	Q4 2018 11/30/18 \$	Q3 2018 08/31/18 \$	Q2 2018 05/31/18 \$	Q1 2018 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 reserves;*
- *risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- *uncertainty as to whether there will ever be production at the Company's mineral exploration and development properties;*
- *risks related to our ability to commence production and generate material revenues or obtain adequate financing for our planned exploration and development activities;*
- *risks related to lack of infrastructure including but not limited to the risk whether or not the AMDIAP will receive the requisite permits and, if it does, whether the Alaska Industrial Development and Export Authority will build the AMDIAP;*
- *risks related to inclement weather which may delay or hinder exploration activities at our mineral properties;*
- *risks related to our dependence on a third party for the development of our projects;*
- *none of the Company's mineral properties are in production or are under development;*
- *risks related to future sales or issuances of equity securities decreasing the value of our existing common shares, diluting voting power and reducing future earnings per share;*
- *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.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Supplementary Data

For the required supplementary data, please see the section heading “*Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations*” above.



Trilogy Metals Inc.

Consolidated Financial Statements November 30, 2019, 2018 and 2017 (expressed in US dollars)

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Management's Report on Internal Control over Financial Reporting

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

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

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of November 30, 2019. 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, 2019.

/s/ James Gowans

James Gowans
President & Chief Executive Officer

February 12, 2020

/s/ Elaine Sanders

Elaine Sanders
Vice President & Chief Financial Officer

Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Trilogy Metals Inc. and its subsidiaries (together, the Company) as of November 30, 2019 and 2018, 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, 2019, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of November 30, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2019 in conformity with accounting principles generally accepted in the United States of America (US GAAP). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting 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 in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the

transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Vancouver, Canada

February 12, 2020

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

Trilogy Metals Inc.
Consolidated Balance Sheets
As at November 30, 2019 and 2018

in thousands of US dollars

	November 30, 2019 \$	November 30, 2018 \$
Assets		
Current assets		
Cash and cash equivalents	19,174	22,991
Accounts receivable	264	23
Deposits and prepaid amounts	719	619
	20,157	23,633
Rent deposit	114	114
Plant and equipment (note 3)	715	325
Mineral properties and development costs (note 4)	30,631	30,587
	51,617	54,659
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	2,354	1,657
	2,354	1,657
Mineral properties purchase option (note 4c)	31,000	20,800
	33,354	22,457
Shareholders' equity		
Share capital (note 6) – <i>unlimited common shares authorized, no par value Issued – 140,427,761 (2018 – 131,585,612)</i>	177,971	164,069
Warrants (note 6(c))	-	2,253
Contributed surplus	122	122
Contributed surplus – options (note 6(a))	21,123	19,076
Contributed surplus – units (note 6(b))	1,759	1,489
Deficit	(182,712)	(154,807)
	18,263	32,202
	51,617	54,659

Commitments and contingencies (note 10)

Subsequent events (note 11)

(See accompanying notes to the consolidated financial statements)

/s/ James Gowans, Director _____

/s/ Kalidas Madhavpeddi, Director _____

Approved on behalf of the Board of Directors

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

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

	2019	2018	2017
	\$	\$	\$
Expenses			
Amortization	211	160	107
Foreign exchange gain	(19)	(26)	(395)
General and administrative	1,838	1,532	1,385
Investor relations	623	406	345
Mineral properties expense (note 4(d))	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
Total expenses	28,405	21,923	18,930
Other items			
Loss on held for trading investments	-	272	2,225
Loss on disposal of equipment	-	-	8
Interest and other income	(500)	(346)	(59)
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
Weighted average number of common shares outstanding	135,225,349	121,778,727	105,562,769

(See accompanying notes to the consolidated financial statements)

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

in thousands of US dollars, except share amounts

	Number of shares outstanding	Share capital \$	Warrants \$	Contributed surplus \$	Contributed surplus – options \$	Contributed surplus – units \$	Deficit \$	Total shareholders' equity \$
Balance – 2016	105,286,469	136,357	2,163	124	18,134	1,140	(111,764)	46,154
Exercise of options	188,856	85	-	-	(85)	-	-	-
Restricted Share Units	209,198	83	-	-	-	(173)	-	(90)
Stock-based compensation	-	-	-	-	353	352	-	705
Loss for the year	-	-	-	-	-	-	(21,104)	(21,104)
Balance – 2017	105,684,523	136,525	2,163	124	18,402	1,319	(132,868)	25,665
Bought-deal financing (note 6)	24,784,482	28,750	90	-	-	-	(90)	28,750
Share issuance costs	-	(1,805)	-	-	-	-	-	(1,805)
Exercise of options	315,148	140	-	-	(140)	-	-	-
Restricted Share Units	800,000	457	-	-	-	(457)	-	-
NovaGold DSU conversion	1,459	2	-	(2)	-	-	-	-
Stock-based compensation	-	-	-	-	814	627	-	1,441
Loss for the year	-	-	-	-	-	-	(21,849)	(21,849)
Balance – 2018	131,585,612	164,069	2,253	122	19,076	1,489	(154,807)	32,202
Exercise of options	1,725,776	1,123	-	-	(915)	-	-	208
Exercise of warrants	6,521,740	12,166	(2,253)	-	-	-	-	9,913
Restricted share units	412,501	424	-	-	-	(424)	-	-
Deferred share units	182,132	189	-	-	-	(189)	-	-
Stock-based compensation	-	-	-	-	2,962	883	-	3,845
Loss for the year	-	-	-	-	-	-	(27,905)	(27,905)
Balance – 2019	140,427,761	177,971	-	122	21,123	1,759	(182,712)	18,263

(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

	2019 \$	2018 \$	2017 \$
Cash flows used in operating activities			
Loss for the year	(27,905)	(21,849)	(21,104)
Items not affecting cash			
Amortization	211	160	107
Loss on held for trading investments	-	272	2,225
Loss on disposal of equipment	-	-	8
Foreign exchange (gain) loss	1	(53)	(393)
Stock-based compensation	3,845	1,441	705
Net change in non-cash working capital			
Decrease (increase) in accounts receivable	(241)	447	(423)
Decrease (increase) in deposits and prepaid amounts	(100)	104	(113)
Increase (decrease) in accounts payable, accrued liabilities and due to related parties	697	(2,592)	3,577
	(23,492)	(22,070)	(15,411)
Cash flows from (used in) financing activities			
Proceeds from exercise of options	208	-	-
Proceeds from exercise of warrants (note 6 (c))	9,913	-	-
Proceeds from bought deal financing (note 6)	-	28,750	-
Share issuance costs	-	(1,805)	-
Settlement of Restricted Share Units	-	-	(90)
	10,121	26,945	(90)
Cash flows from (used in) investing activities			
Acquisition of plant & equipment	(645)	(7)	(300)
Mineral properties funding (note 4)	10,200	10,435	10,365
Proceeds from the sale of investments, net of fees	-	2,297	3,479
	9,555	12,725	13,544
(Decrease) increase in cash and cash equivalents	(3,816)	17,600	(1,957)
Effect of exchange rate on cash and cash equivalents	(1)	-	8
Cash and cash equivalents – beginning of year	22,991	5,391	7,340
Cash and cash equivalents – end of year	19,174	22,991	5,391

(See accompanying notes to the consolidated financial statements)

Trilogy Metals Inc.

Notes to the Consolidated Financial Statements

1 Nature of operations

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 changed its name from NovaCopper Inc. to Trilogy Metals Inc. on September 1, 2016 to better reflect its diversified metals resource base. The Company is engaged in the exploration and development of mineral properties with a focus on the Upper Kobuk Mineral Projects (“UKMP”), including the Arctic and Bornite Projects located in Northwest Alaska in the United States of America (“US” or “USA”).

2 Summary of significant accounting policies

Basis of presentation

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

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 12, 2020.

Cash and cash equivalents

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

Plant and equipment

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

Computer hardware and software	3 years
Machinery and equipment	3 – 10 years
Office furniture and equipment	5 years
Vehicles	3 years
Leasehold Improvements	lease term

Mineral properties and development costs

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

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify the title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal titles to its mining assets are properly recorded, there can be no assurance that such title will be secured indefinitely.

Impairment of long-lived assets

Management assesses the possibility of impairment in the carrying value of long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange rates, production levels operating, capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset. It is possible that material changes could occur that may adversely affect management's estimates.

Income taxes

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

Uncertainty in income tax positions

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

Financial instruments

Held-for-trading financial assets and liabilities are recorded at fair value as determined by active market prices or valuation models, as appropriate. Valuation models require the use of assumptions which may include the expected life of the instrument, the expected volatility, dividend payouts, and interest rates. In determining these assumptions, management uses readily observable market inputs where available or, where not available, inputs generated by management. Changes in fair value of held-for-trading financial instruments are recorded in income or loss for the period. Held-for-trading financial assets consisting of common share and warrant investments in a publicly-held mining company were disposed during the 2018 fiscal year.

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

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

Translation of foreign currencies

Monetary assets and liabilities are translated into United States 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 warrants are used to repurchase common shares at the average market price during the period.

Stock-based compensation

Compensation expense for options granted to employees, directors and certain service providers is determined based on estimated fair values of the options at the time of grant using the Black-Scholes option pricing model, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected dividend yield and the risk-free interest rate over the expected life of the option. The compensation cost is recognized using the graded attribution method over the vesting period of the respective options. The expense relating to the fair value of stock options is included in expenses and is credited to contributed surplus. Shares are issued from treasury in settlement of options exercised.

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

Use of estimates and measurement uncertainties

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions of future events that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of expenditures during the period. Significant judgments include the assessment of potential indicators of impairment of mineral properties. Significant estimates include the measurement of the South32 property acquisition option, income taxes, and the valuation of stock-based compensation. Actual results could differ materially from those reported.

Accounting standards adopted

i. Financial instruments

In March 2016, the Financial Accounting Standards Board ("FASB") issued new guidance on classifying and measuring financial instruments ("ASU 2016-01"). This update is effective for annual reporting periods beginning after December 15, 2017. The Company adopted the provisions of this guidance effective December 1, 2018. As the Company's investments in equity instruments were previously classified at fair value with the change in fair value recorded to the statement of loss and comprehensive loss, the new guidance does not impact the Company's accounting or reported results.

Recent accounting pronouncements

i. Leases

In February 2016, the FASB issued new accounting requirements for accounting for, presentation of, and classification of leases ("ASU 2016-02") which, together with subsequent amendments, is included in ASC 842, Leases. This will result in most leases being capitalized as a right of use asset with a related liability on the balance

sheets. The requirements of the new standard are effective for annual reporting periods beginning after December 15, 2018, and interim periods within those annual periods, which for us is the first quarter of the fiscal year ended November 30, 2020.

We expect to elect to apply all of the transition practical expedients available, including:

- the package of three practical expedients to (1) not reassess whether any expired or existing contracts are or contain leases, (2) not reassess the lease classification for any expired or existing leases, and (3) not reassess initial direct costs for any existing lease;
- the hindsight practical expedient to use hindsight when determining lease term and assessing impairment of right-of-use assets, if any; and
- the easements practical expedient to continue applying our current policy for accounting for any land easements expired before or existing as of December 1, 2019.

In addition, we expect to elect the short-term lease recognition exemption for all leases and elect the practical expedient to not separate lease and non-lease components for all leases.

We expect to adopt ASC 842 using the modified retrospective transition method by applying the transition provision and recording our cumulative adjustment to opening deficit at the beginning of the period of adoption on December 1, 2019 rather than at the beginning of the comparative period presented. Therefore, in the comparative periods, we continue to apply the legacy guidance in ASC 840, including its disclosure requirements.

During 2019, we have commenced our analysis to determine the quantitative impact of this new standard. As of the release of these consolidated financial statements, we have developed an implementation and transition plan including related internal controls, identified the population of contracts within the Company, reviewed the contracts and segregated the contracts that contain leases, and determined the discount rate applicable to its leases.

We currently estimate the adoption of this new standard is expected to result in right of use assets and lease liabilities of \$786,000. We are continuing to finalize our adoption procedures and our quantification of the impact of adoption.

3 Plant and equipment

	<i>in thousands of dollars</i>		
	November 30, 2019		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
British Columbia, Canada			
Furniture and equipment	63	(29)	34
Leasehold improvements	53	(17)	36
Computer hardware and software	115	(112)	3
Alaska, USA			
Machinery and equipment	3,667	(3,026)	641
Vehicles	348	(348)	-
Computer hardware and software	4	(3)	1
	4,250	(3,535)	715

in thousands of dollars

November 30, 2018			
	Cost	Accumulated amortization	Net
	\$	\$	\$
British Columbia, Canada			
Furniture and equipment	63	(17)	46
Leasehold improvements	53	(10)	43
Computer hardware and software	115	(109)	6
Alaska, USA			
Machinery and equipment	3,178	(2,964)	214
Vehicles	348	(333)	15
Computer hardware and software	35	(34)	1
	3,792	(3,467)	325

4 Mineral properties and development costs

in thousands of dollars

	November 30, 2018	Acquisition costs	November 30, 2019
	\$	\$	\$
Alaska, USA			
Ambler (a)	26,587	44	26,631
Bornite (b)	4,000	-	4,000
	30,587	44	30,631

in thousands of dollars

	November 30, 2017	Acquisition costs	November 30, 2018
	\$	\$	\$
Alaska, USA			
Ambler (a)	26,587	-	26,587
Bornite (b)	4,000	-	4,000
	30,587	-	30,587

(a) Ambler

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

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

Minor staking, at a cost of \$44,000, added to the Ambler land holdings during the year ended November 30, 2019.

(b) Bornite

On October 19, 2011, Trilogy Metals US acquired the exclusive right to explore and the non-exclusive right to access and enter on the Bornite lands, and lands deeded to NANA Regional Corporation, Inc. (“NANA”) through the Alaska Native Claims Settlement Act, located adjacent to the Ambler lands in Northwest Alaska. As consideration, Trilogy Metals US paid \$4 million to acquire the right to explore and develop the combined Upper Kobuk Mineral Projects (“UKMP”) through an Exploration Agreement and Option to Lease with NANA. Upon a decision to proceed with construction of a mine on the lands, NANA maintains the right to purchase between a 16%-25% ownership interest in the mine or retain a 15% net proceeds royalty which is payable after Trilogy Metals US has recovered certain historical

costs, including capital and cost of capital. Should NANA elect to purchase an ownership interest, consideration will be payable equal to all historical costs incurred on the properties at the elected percentage purchased less \$40 million, not to be less than zero. The parties would form a joint venture and be responsible for all future costs, including capital costs of the mine based on their pro-rata share.

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

(c) Option Agreement

On April 10, 2017, Trilogy and Trilogy Metals US entered into an Option Agreement to form a Joint Venture with South32 Group Operations Pty Ltd., a wholly-owned subsidiary of South32 Limited, which agreement was later assigned by South32 Operations to its affiliate, South32 USA Exploration Inc. ("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. Upon exercise of the option, the option agreement provided that Trilogy Metals US would transfer its Alaskan assets, including the UKMP, and South32 would contribute the Subscription Price (as defined below) to a newly formed and jointly held, limited liability company ("LLC") (see note 11).

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 joint venture, the Option Agreement provided that 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 had been exercised between April 1, 2018 and March 31, 2019 or \$10 million if the option was 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"). South32 has now funded the full three-year option period. Subsequent to November 30, 2019, South32 elected to exercise the option to form the LLC and made the Subscription Price payment on February 5, 2020 (see note 11).

During the year ended November 30, 2017, the Company received the first payment of \$10.0 million under the Option Agreement and these funds were expended on the year 1 program at the Bornite Project. In October 2017, the Company received \$0.4 million as a first instalment towards the year 2 program and budget to begin preparatory work. During the year ended November 30, 2018, the Company received payments totaling \$10.4 million following the approval of the year 2 program and budget in January 2018, including a \$0.80 million advance on South32's year three funding obligation per the Option Agreement. During the quarter ended February 28, 2019, the Company received payments totaling \$10.2 million following the approval of the year 3 program and budget, including an additional \$1 million of funding for the approved regional exploration program. The receipt of the year 3 funding represents receipt of the final tranche of funding from South32. The Company is responsible for the disbursement of these funds in accordance with the approved program and budget and accordingly has not classified the funds as restricted cash.

As the initial option payments are credited against the future subscription price upon exercise, the Company has accounted for the payments received from South32 as deferred consideration for the purchase of the UKMP interest. The \$31.0 million of payments received will be recognized as part of the consideration received for the Company's contribution of the UKMP into the LLC.

The option to form the LLC is recognized as a financial instrument at inception of the arrangement with an initial fair value of \$nil. This option is required to be re-measured at fair value at each reporting date with any changes in fair value recorded in loss for the period. The Company determined that the fair value of the option remains \$nil as at November 30, 2019.

(d) Mineral properties expense

The following table summarizes mineral properties expense for the years ended November 30, 2019, 2018 and 2017, and includes expenditures funded by South32, as applicable.

	<i>In thousands of dollars</i>		
	2019	2018	2017
	\$	\$	\$
Alaska, USA			
Community	596	466	318
Drilling	5,194	4,545	5,074
Engineering	2,410	1,056	1,774
Environmental	611	806	365
Geochemistry and geophysics	1,259	1,253	357
Land and permitting	744	705	795
Other income	(13)	(20)	(25)
Project support	4,652	4,244	3,836
Wages and benefits	3,758	3,435	2,606
Mineral property expense	19,211	16,490	15,100

Mineral property expenses consist of direct drilling, personnel, community, resource reporting and other exploration expenses as outlined above, as well as indirect project support expenses such as fixed wing charters, helicopter support, fuel, and other camp operation costs. Cumulative mineral properties expense in Alaska from the initial earn-in agreement on the property in 2004 to November 30, 2019 is \$113.8 million and cumulative acquisition costs are \$30.6 million totaling \$144.4 million spent to date.

5 Accounts payable and accrued liabilities

	<i>in thousands of dollars</i>	
	November 30, 2019	November 30, 2018
	\$	\$
Trade accounts payable	902	400
Accrued liabilities	721	503
Accrued salaries and vacation	731	746
Due to related parties	-	8
Accounts payable and accrued liabilities	2,354	1,657

6 Share capital

Authorized:

unlimited common shares, no par value

	<i>in thousands of dollars, except share amounts</i>	
	Number of shares	Ascribed value
		\$
November 30, 2016	105,286,469	136,357
Exercise of options	188,856	85
Restricted Share Units	209,198	83
November 30, 2017	105,684,523	136,525
Bought deal financing	24,784,482	28,750
Share issuance costs	-	(1,805)
Exercise of options	315,148	140
Restricted Share Units	800,000	457
NovaGold DSU Conversion	1,459	2
November 30, 2018	131,585,612	164,069
Exercise of options	1,725,776	1,123
Restricted Share Units	412,501	424

Deferred Share Units	182,132	189
Exercise of warrants	6,521,740	12,166
November 30, 2019, issued and outstanding	140,427,761	177,971

On April 20, 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. Expenses including bank commissions, legal fees, stock exchange and other fees totaled \$1.8 million for net proceeds of \$26.9 million.

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, 2019, a total of 11,927 NovaGold DSUs remain outstanding representing a right to receive 1,988 Common Shares in Trilogy, which will settle upon certain directors retiring from NovaGold’s board.

(a) Stock options

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

During the year ended November 30, 2019, a total of 3,077,500 options (2018 – 2,395,000 options) at a weighted-average exercise price of CDN\$2.86 (2018 - CDN\$1.20) were granted to employees, consultants and directors exercisable for a period of five years with various vesting terms from immediate vesting to over a two-year period. The weighted-average fair value attributable to options granted in 2019 was \$1.03 (2018 - \$0.43).

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

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

	November 30, 2019	November 30, 2018	November 30, 2017
Risk-free interest rates	1.96%	1.59%	0.90%
Exercise price	CDN\$2.87	CDN\$1.20	CDN\$0.69
Expected life	3.0 years	3.0 years	3.0 years
Expected volatility	73.0%	77.9%	74.2%
Expected dividends	Nil	Nil	Nil

The Company recognized a stock option payment charge of \$2.9 million for the year ended November 30, 2019 (2018 - \$0.8 million; 2017 - \$0.4 million), net of forfeitures.

As of November 30, 2019, there were 1,775,005 non-vested options outstanding with a weighted average exercise price of \$1.83. The non-vested stock option expense not yet recognized was \$0.4 million. This expense is expected to be recognized over the next two years.

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

	November 30, 2019	
	Number of options	Weighted average exercise price \$
Balance – beginning of year	8,821,434	0.60
Granted	3,077,500	2.15
Exercised	(2,693,334)	0.73
Balance – end of year	9,205,600	1.09

The following table summarizes information about the stock options outstanding at November 30, 2019.

Range of price	Outstanding			Exercisable		Unvested
	Number of outstanding options	Weighted average years to expiry	Weighted average exercise price \$	Number of exercisable options	Weighted average exercise price \$	Number of unvested options
\$0.33 to \$0.50	2,696,433	1.00	0.36	2,696,433	0.36	-
\$0.51 to \$1.00	3,201,667	2.60	0.66	2,753,331	0.65	448,336
\$1.01 to \$1.50	225,000	3.37	1.33	175,000	1.30	50,000
\$1.51 to \$2.00	640,000	4.71	1.82	623,333	1.82	16,667
\$2.01 to \$2.52	2,405,000	4.02	2.22	1,144,998	2.22	1,260,002
\$2.53 to \$2.57	37,500	4.47	2.57	37,500	2.57	-
	9,205,600	2.67	1.09	7,430,595	0.91	1,775,005

The aggregate intrinsic value of vested share options (the market value less the exercise price) at November 30, 2019 was \$7.2 million (2018 - \$12.2 million, 2017 - \$1.8 million) and the aggregate intrinsic value of exercised options in 2019 was \$2.6 million (2018 - \$0.5 million, 2017 - \$0.2 million).

(b) Restricted Share Units and Deferred Share Units

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

On December 5, 2018 Company officers were granted 225,000 RSUs of which 112,500 units vested immediately. The remaining 112,500 units vested on December 5, 2019. Directors were granted 137,514 DSUs throughout the year ended November 30, 2019 based on their election to receive 50% of their annual retainer in DSUs.

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

	Number of RSUs	Number of DSUs
Balance – beginning of year	400,002	1,182,106
Granted	225,000	137,514
Vested/paid	(412,501)	(182,132)
Balance – end of year	212,501	1,137,488

For the year ended November 30, 2019, Trilogy recognized a stock-based compensation charge of \$0.9 million (2018 - \$0.6 million, 2017 - \$0.4 million), net of forfeitures for RSUs and DSUs.

(c) Share Purchase Warrants

A summary of the Company's warrants and changes during the year ended November 30, 2019 is as follows:

	Number of Warrants	Weighted average years to expiry	Weighted average exercise price \$
Balance – beginning of year	6,521,740	0.59	1.52
Balance – end of year	-	-	-

During the year ended November 30, 2019, all the outstanding warrants were exercised in advance of the July 2, 2019 expiry date. As a result of the warrants exercised, the Company issued a total of 6,521,740 common shares and received cash proceeds of approximately \$9.9 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 its mineral properties and maintain a capital structure which optimizes the costs of capital at an acceptable risk. The Company's current capital consists of equity funding through capital markets and project funding by South32.

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 and cash equivalents, 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 and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities. The Company's investments were held for trading and marked-to-market at each period end with changes in fair value recorded to the statement of loss. The South32 purchase option is a derivative financial liability measured at fair value with changes in value recorded to the statement of loss.

Financial risk management

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

(a) Currency risk

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. The Company operates in the United States and Canada. The Company's exposure to currency risk at November 30, 2019 is limited to the 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 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.

Contractually obligated cash flow requirements as at November 30, 2019 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	-
Office and warehouse lease (Alaska)	110	57	53	-	-
	3,356	2,593	441	322	-

(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.

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, 2019.

During the year ended November 30, 2018, the Company disposed of its remaining shares of Gold Mining Inc., a publicly-held mineral exploration company. During the year ended November 30, 2017, the share investments were recorded as current investments and were valued using quoted market prices in active markets and as such are classified as a Level 1 financial instrument.

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:

in thousands of dollars

	November 30, 2019 \$	November 30, 2018 \$	November 30, 2017 \$
Combined federal and provincial statutory tax rate	27.00%	26.92%	26.00%
Income taxes at statutory rate	(7,534)	(5,882)	(5,486)
Difference in foreign tax rates	(281)	(424)	(2,267)
Impact of change in tax rate	-	23,582	-
Effect of foreign exchange changes	-	-	-
Non-taxable gain on the sale of Sunward Investments	-	-	-
Non-deductible expenditures	4,061	3,018	4,664
Return to provision adjustments	193	1,319	(72)
Other	-	-	(357)
Expiry of Losses	277	-	-
Valuation allowance	(3,284)	(21,613)	3,518
Income tax expense	-	-	-

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred income tax assets and liabilities at November 30, 2019 and 2018 are as follows:

in thousands of dollars

	November 30, 2019 \$	November 30, 2018 \$
Deferred income tax assets		
Non-capital losses	48,968	46,469
Mineral property interest	11,351	10,419
Deferred interest	6,251	6,251
Property, plant and equipment	70	64
Share issuance costs	351	440
Capital Loss	186	290
Investments	-	-
Other deductible temporary differences	345	316
Total deferred tax assets	67,522	64,249
Valuation allowance	(67,519)	(64,248)
Net deferred income tax assets	3	1
Deferred income tax liabilities		
Mineral property interest	-	-
Other taxable temporary differences	(3)	(1)
Deferred income tax liabilities	(3)	(1)
Net deferred income tax assets	-	-

On December 22, 2017, the U.S. Tax Cuts and Jobs Act ("Act") was passed into law. The new legislation decreases the corporate federal income tax rate from 35% to 21% effective January 1, 2018. Since the Company has a November 30 fiscal year end, the US entity will have a blended tax rate of 21% commencing the November 30, 2019 fiscal year and thereafter.

The Company has loss carry-forwards of approximately \$174.3 million that may be available for tax purposes. Certain of these losses occurred prior to the incorporation of the Company and are accounted for in the financial statements as if they were incurred by the Company. Prior to the NovaGold Arrangement, the Company undertook a tax reorganization in order to preserve the future deductibility of these losses for the Company, subject to the limitations below. Deferred tax

assets have been recognized to the extent of future taxable income and the future taxable amounts related to taxable temporary differences for which a deferred tax liability is recognized can be offset. A valuation allowance has been provided against deferred income tax assets where it is not more likely than not that the Company will realize those benefits.

The losses expire as follows in the following jurisdictions:

	<i>in thousands of dollars</i>	
	Non-capital losses Canada \$	Operating losses United States \$
2020	-	830
2021	-	1
2022	-	366
2023	-	960
Thereafter	41,275	130,902
	41,275	133,059

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. 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, 2019 the Company has \$10.7 million in operating losses that can be carried forward indefinitely.

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

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

10 Commitment

The Company has commitments with respect to office and warehouse leases requiring future minimum lease payments as follows:

	<i>in thousands of dollars</i>
	November 30, 2019 \$
2020	240
2021	243
2022	197
2023	202
Thereafter	120
Total	1,002

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.

11 Subsequent events

On December 27, 2019 directors were granted 600,000 stock options vesting immediately and 1,450,000 stock options were granted to employees vesting equally in thirds on the grant date, the first anniversary of the grant date, and the second anniversary of the grant date.

RSUs that were previously granted, vested during December 2019 and were settled on December 11, 2019 through the issuance of 70,834 Common Shares and on December 20, 2019 through the issuance of 141,667 Common Shares.

On February 11, 2020, the Company announced the completion of the formation of a 50/50 joint venture with South32. Trilogy Metals contributed all its assets associated with the UKMP and South32 paid the Subscription Price of \$145 million.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

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 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 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.

Attestation Report of the Registered Public Accounting Firm

This Annual Report includes an attestation report of the company’s registered public accounting firm regarding internal controls over financial reporting. As an accelerated filer company, management’s report was subject to attestation by the Company’s registered public accounting firm pursuant to Dodd-Frank.

Changes in Internal Controls

There has been no change in our internal control over financial reporting during the quarter ended November 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information in our 2020 Proxy Statement regarding directors and executive officers and Section 16 reporting information appearing under the headings “Election of Directors” and “Information Concerning the Board of Directors and Executive Officers” is incorporated by reference in this section. The information under the heading “Executive Officers of Trilogy” in Part I, Item 1 of this Form 10-K is also incorporated by reference in this section. The information in our 2020 Proxy Statement regarding our Code of Business Conduct and Ethics under the subheading “Ethical Business Conduct” under “Statement of Corporate Governance Practices” is also incorporated by reference in this section. Finally, the information in our 2020 Proxy Statement regarding the Audit Committee under the heading “Statement of Corporate Governance Practices” is incorporated herein by reference.

Item 11. EXECUTIVE COMPENSATION

The information appearing in our 2020 Proxy Statement under the headings “Compensation Committee Interlocks and Insider Participation”, “Statement of Executive Compensation”, and “Director Compensation” is incorporated by reference in this section.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information appearing in our 2020 Proxy Statement under the heading “Securities Authorized For Issuance Under Equity Compensation Plans” (which is also contained in this report in Part II, Item 5) and the information under the heading “Security Ownership Of Certain Beneficial Owners And Management And Related Shareholder Matters” is incorporated herein by reference.

Securities Authorized for Issuance under Equity Compensation Plans

The following table is as of November 30, 2019.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	10,555,589	\$0.95	9,334,300
Equity compensation plans not approved by security holders	-	-	-
Total	10,555,589	\$0.95	10,508,575

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information appearing in our 2020 Proxy Statement under the heading “Independence of Directors” under the heading “Information Concerning the Board of Directors and Executive Officers” and under the heading “Statement of Corporate Governance Practices” is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information appearing in our 2020 Proxy Statement regarding Audit Fees, Audit-Related Fees, Tax Fees, All Other Fees and Audit Committee Pre-Approval Policies under the subheading “Appointment of Auditors” is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed With This Report

1. FINANCIAL STATEMENTS

	Page
Report of Independent Registered Public Accounting Firm	80
Consolidated Balance Sheets	82
Consolidated Statements of Loss and Comprehensive Loss	82
Consolidated Statements of Shareholders' Equity	84
Consolidated Statements of Cash Flows	85
Notes to Consolidated Financial Statements	86

2. FINANCIAL STATEMENT SCHEDULES

None.

3. EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

Separation Agreement and Release between the Registrant and Rick Van Nieuwenhuyse, dated September 4, 2019.

Consulting Services Agreement between the Registrant and Rick Van Nieuwenhuyse, dated September 4, 2019.

Employment Agreement between the Registrant and James Gowans, dated October 21, 2019, identified in exhibit list below.

Employment Agreement between the Registrant and Elaine Sanders, dated November 5, 2012, identified in exhibit list below.

NovaCopper Inc. Equity Incentive Plan identified in exhibit list below.

Form of NovaCopper Inc. Stock Option Agreement identified in exhibit list below.

NovaCopper Inc. 2012 Restricted Share Unit Plan identified in exhibit list below.

Form of NovaCopper Inc. 2012 Restricted Share Unit Award Agreement identified in exhibit list below.

NovaCopper Inc. 2012 Deferred Share Unit Plan identified in exhibit list below.

Form of NovaCopper Inc. Deferred Share Unit Award Agreement identified in exhibit list below.

(b) Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation (incorporated by reference Exhibit 99.2 to the Registration Statement on Form 40-F as filed on March 1, 2012, File No. 001 35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299312000734/exhibit99-2.htm

Exhibit No.	Description
3.2	Articles of Trilogy Metals Inc., effective April 27, 2011, as altered March 20, 2011 (incorporated by reference to Exhibit 99.3 to Amendment No. 1 to the Registration Statement on Form 40-F as filed on April 19, 2012, File No. 001-35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299312000734/exhibit99-3.htm
3.3	Notice of Articles and Certificate of Name Change, dated September 1, 2016 (incorporated by reference to Exhibit 3.1 to the Form 8-K dated September 8, 2016) https://www.sec.gov/Archives/edgar/data/1543418/000127956916004324/ex31.htm
4.1	Description of Common Stock
10.2	Exploration Agreement and Option to Lease between NovaCopper US Inc. and NANA Regional Corporation, Inc. dated October 19, 2011(incorporated by reference to Exhibit 99.1 to the Company’s Form 6-K as submitted on April 25, 2012, File No. 001-35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299312001410/exhibit99-1.htm
10.3	Net Smelter Returns Royalty Agreement among Kennecott Exploration Company, Kennecott Arctic Company, Alaska Gold Company, and NovaGold Resources Inc. dated effective January 7, 2010 (incorporated by reference to Exhibit 99.1 to the Company’s Form 6-K as submitted on April 25, 2012, File No. 001-35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299312001414/exhibit99-1.htm
10.4	Employment Agreement between the Registrant and Elaine Sanders, dated November 5, 2012 (incorporated by reference to Exhibit 10.5 to the Company’s Registration Statement on Form 10-K as filed on February 12, 2013, File No. 001-35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299313000644/exhibit10-5.htm
10.5	NovaCopper Inc. Equity Incentive Plan (incorporated by reference to Schedule G of Exhibit 99.1 to NovaGold Resources Inc.’s report on Form 6-K submitted on March 1, 2012, File No. 001-31913) https://www.sec.gov/Archives/edgar/data/1173420/000106299312000732/exhibit99-1.htm#page_119
10.6	Form of NovaCopper Inc. Stock Option Agreement (incorporated by reference to Exhibit 4.5 of the Company’s Registrant’s registration statement on Form S-8 as filed on April 27, 2012, File No. 333-181020) https://www.sec.gov/Archives/edgar/data/1543418/000106299312001457/exhibit4-5.htm
10.7	NovaCopper Inc. 2012 Restricted Share Unit Plan (incorporated by reference to Exhibit 10.11 to the Company’s Registration Statement on Form 10-K as filed on February 12, 2013, File No. 001-35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299313000644/exhibit10-11.htm
10.8	NovaCopper Inc. 2012 Deferred Share Unit Plan (incorporated by reference to Exhibit 10.12 to the Company’s Annual Report on Form 10-K as filed on February 12, 2013, File No. 001-35447) https://www.sec.gov/Archives/edgar/data/1543418/000106299313000644/exhibit10-12.htm
10.12	Option Agreement to Form Joint Venture, dated April 10, 2017, by and between Trilogy Metals Inc., NovaCopper US Inc. and South32 Group Operations Pty Ltd. (incorporated by reference to Exhibit 2.1 to the Company’s Form 8-K/A as filed on April 20, 2017) https://www.sec.gov/Archives/edgar/data/1543418/000127956917000789/ex21.htm
10.13	Separation Agreement and Release, dated September 4, 2019, between the Company and Rick Van Nieuwenhuyse.
10.14	Consulting Services Agreement, dated September 4, 2019, between the Company and Rick Van Nieuwenhuyse.
10.15	Employment Agreement, dated October 21, 2019, between the Company and James Gowans.
21.1	Subsidiaries of the Registrant
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Andrew West
23.3	Consent of BD Resource Consulting, Inc.
23.4	Consent of SIM Geological Inc.
23.5	Consent of International Metallurgical & Environmental Inc.

Exhibit No.	Description
23.6	Consent of Ausenco Engineering Canada Inc.
23.7	Consent of Amec Foster Wheeler Americas Limited
23.8	Consent of SRK Consulting (Canada) Inc.
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350

Item 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TRILOGY METALS INC.

By: /s/ James Gowans

Name: James Gowans

Title: Interim President and Chief Executive Officer

Date: February 13, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ James Gowans</u> James Gowans	Interim President and Chief Executive Officer (Principal Executive Officer) and Director	February 13, 2020
<u>/s/ Elaine Sanders</u> Elaine Sanders	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 13, 2020
<u>/s/ Tony Giardini</u> Tony Giardini	Director	February 13, 2020
<u>/s/ William Hayden</u> William Hayden	Director	February 13, 2020
<u>/s/ William Hensley</u> William Hensley	Director	February 13, 2020
<u>/s/ Gregory Lang</u> Gregory A. Lang	Director	February 13, 2020
<u>/s/ Kalidas Madhavpeddi</u> Kalidas V. Madhavpeddi	Director	February 13, 2020
<u>/s/ Janice Stairs</u> Janice Stairs	Director	February 13, 2020
<u>/s/ Diana Walters</u> Diana Walters	Director	February 13, 2020

DESCRIPTION OF TRILOGY METALS COMMON SHARES

The common shares of Trilogy Metals Inc. (the “**Common Shares**”) are its only class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”).

The following description of our Common Shares is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Notice of Articles and Articles, as amended (the “**Articles**”), which are attached as exhibits to the Annual Report on Form 10-K. We are incorporated in the Province of British Columbia, Canada and are subject to the *Business Corporations Act* (British Columbia).

Authorized Capital Shares

The Company is authorized to issue an unlimited number of Common Shares, without par value, of which 140,659,776 are issued and outstanding as of February 12, 2020. The outstanding Common Shares are fully paid and nonassessable. No other classes of shares are currently authorized.

Voting Rights

Holders of Common Shares are entitled to receive notice of and to attend any meetings of shareholders of the Company and at any meetings of shareholders to cast one vote for each Common Share held. Holders of Common Shares do not have cumulative voting rights. A simple majority of votes cast on a resolution is required to pass an ordinary resolution; however, if the resolution is a special resolution two-thirds of the votes cast on the special resolution are required to pass it.

Dividend Rights and Liquidation Rights

Holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of the Company at its discretion from funds legally available therefor and to receive a pro rata share of the assets of the Company available for distribution to the shareholders in the event of the liquidation, dissolution or winding-up of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attached to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of Common Shares with respect to dividends or liquidation.

Other Rights and Preferences

There are no pre-emptive, subscription, conversion or redemption rights attached to the Common Shares nor do they contain any sinking or purchase fund provisions.

Tax Considerations for U.S. Holders

See “Certain Canadian Federal Income Tax Considerations for U.S. Holders” and “Certain U.S. Federal Income Tax Considerations” in the Form 10-K under Part II. Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities.

Listing

The common shares are traded on NYSE American and the Toronto Stock Exchange under the trading symbol “TMQ.”

SEPARATION AGREEMENT AND RELEASE

THIS SEPARATION AGREEMENT AND RELEASE is made on September 4, 2019.

BETWEEN:

TRILOGY METALS INC.

(“**Trilogy**”)

AND:

RICK VAN NIEUWENHUYSE

(the “**Employee**”)

WHEREAS:

- A. The Employee is currently employed by Trilogy as its President and Chief Executive Officer;
- B. Trilogy and the Employee have reached a mutual decision to end the Employee’s employment with Trilogy effective the date agreed upon herein; and
- C. The Employee and Trilogy (collectively, the “Parties”) have reached an agreement to fully and finally settle any matters in relation to the Employee’s employment and the termination of that employment including any disputes regarding the Employee’s entitlement to payment or benefits upon such termination on the terms and conditions set out in this Separation Agreement and Release.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES AND COVENANTS CONTAINED HEREIN:

1. The Parties acknowledge and agree as follows:

- (a) The Employee shall tender his written resignation as an employee, officer and director of Trilogy and all subsidiaries of Trilogy effective September 4, 2019 (the “Resignation Date”).
- (b) Trilogy shall pay to the Employee his regular base salary up to the Resignation Date.
- (c) Trilogy shall pay to the Employee any accrued but unused vacation pay up to the Resignation Date.
- (d) Trilogy and the Employee shall enter into a consulting services agreement, in the form attached as Schedule “A” to this Separation Agreement and Release, that shall commence on September 4, 2019 and terminate on January 31, 2020 (the “Consulting Period”).
- (e) Any stock options granted to the Employee under Trilogy’s Equity Incentive Plan which are vested as of the Resignation Date may be exercised up to the earlier of (i) six (6) months’ following the end of the Consulting Period or (ii) the expiration date stated on the option.
- (f) Any stock options granted to the Employee under Trilogy’s Equity Incentive Plan which are unvested as of the Resignation Date shall remain eligible for vesting during the Consulting Period in accordance the vesting schedule stated on the option and, if vested, may be exercised up to the earlier of (i) six (6) months’ following the end of the Consulting Period or (ii) the expiration date stated on the option.
- (g) Any unvested restricted share units granted under Trilogy’s Restricted Share Unit Plan that become Vested Share Units prior to the end of the Consulting Period shall be paid out to the Employee. Any other unvested Restricted Share Units shall be void as of the last day of the Consulting Period.
- (h) Trilogy shall reimburse the Employee for any properly incurred business expenses submitted with appropriate documentation in accordance with Trilogy’s expense reimbursement policies up to the Resignation Date.

- (i) Subject to the terms of the applicable plan, Trilogy shall continue the Employee's health benefit coverage until the Resignation Date.
- (j) Trilogy shall consult with the Employee with regards to the form of press release to be issued by Trilogy announcing the Employee's resignation and subsequent consulting arrangement.

2. The Employee agrees that as a condition of this Separation Agreement and Release, he shall not directly or indirectly acquire any property, or an interest in any entity or become an officer, director, employee or advisor (other than providing general advice to his significant other in an informal and private manner) to any entity that holds property, in the "Area of Interest" as that term is contemplated in Trilogy's agreements with South 32 USA Exploration Inc. and Nana Regional Corporation Inc. for a period of twelve (12) months from the Resignation Date. The obligations set out in this section 2 are in addition to the obligations set out in section 4.9 of the Employee's employment agreement with Trilogy, which survive the termination of his employment.

3. The Employee acknowledges and reaffirms that he remains bound by the Confidentiality and Non-Disclosure provisions set out in section 4 of his current employment agreement with Trilogy and that the obligations set out therein survive the termination of his employment with Trilogy for any reason.

4. The Employee further acknowledges and reaffirms section 5 of his employment agreement and agrees that, other than as set out below, all Trilogy property in physical or digital form has been returned to Trilogy as of the Resignation Date. Trilogy agrees that the Employee may retain the computer he was using at the Resignation Date provided that the Employee agrees that Trilogy may first delete all Trilogy documents, records and confidential information from that computer.

5. The Employee also covenants and agrees that he will not for a period of six months from the Resignation Date sell or otherwise dispose of any of his shares in Trilogy without the consent of the Board of Directors of Trilogy. Trilogy agrees that this covenant shall not apply to the sale or disposition of shares for the purpose of offsetting tax consequences arising from the exercise of any options or RSUs and the Employee agrees to work reasonably and collaboratively with Trilogy to identify a buyer of these shares.

6. In consideration of Trilogy entering into this Separation Agreement and Release and other good and valuable consideration (as more particularly described in paragraph 1 above), the Employee hereby remises, releases and forever discharges Trilogy, its affiliated companies, and as applicable all of their respective officers, directors, partners, shareholders, employees, agents, successors, administrators, executors, heirs and assigns of and from any and all actions, causes of action, suits, debts, dues, accounts, costs, legal costs, contracts, claims and demands of every nature or kind, statutory or otherwise, including any claims made pursuant to the *Employment Standards Act* (BC), the *Human Rights Code* (BC) or any similar applicable legislation, which the Employee, and, as applicable, the Employee's agents, successors, administrators, executors, heirs and assigns now have or at any time hereafter can, shall or may have in any way arising or resulting from any cause, matter, or anything whatsoever existing up to and including the present time with respect to the Employee's employment with Trilogy, the termination of that employment and the termination of any benefits. This release includes but is not limited to: wrongful or tortious termination; constructive discharge; implied or express employment contracts and/or estoppel; discrimination and/or retaliation under any federal, state or local statute or regulation, specifically including any claims the Employee may have under the *Fair Labor Standards Act*, the *Americans with Disabilities Act*, 42 U.S.C. § 12101, et seq., Title VII of the *Civil Rights Act* of 1964, 42 U.S.C. § 2000e, et seq., as amended, the *Genetic Information Nondiscrimination Act* of 2008; the *Age Discrimination in Employment Act*, as amended by the *Older Workers Benefit Protection Act*, 29 U.S.C. § 621, et seq., Section 1981 of U.S.C. Title 42, the *Equal Pay Act*, the *Family and Medical Leave Act*, the *Corporate and Criminal Fraud Accountability Act* of 2002, 18 U.S.C. § 1514A, also known as the *Sarbanes-Oxley Act*, the *Rehabilitation Act* of 1973, 29 U.S.C. § 703, et seq., Executive Orders 11246 or 11141, the *Employee Retirement Income Security Act* of 1974, 29 U.S.C. § 1001, et seq., the *Worker Adjustment and Retraining Notification Act*, 29 U.S.C. § 2101, et seq., and COBRA, 29 U.S.C. 1161, et seq.; *Alaska Human Rights Act*, Alaska Stat. §§ 18.80.010-18.80.300; Alaska Stat. 47.30.865; any claims brought under any federal, state, or local statute or regulation for non-payment of wages or other compensation, including expense reimbursements and/or bonuses due after the Resignation Date, stock grants or stock options; and libel, slander, or breach of contract other than the breach of this Separation Agreement and Release. This Separation Agreement and Release specifically excludes claims, charges, complaints, causes of action or demand that post-date the Resignation Date, and that are based on factual allegations that do not arise from or relate to the Employee's present employment with or termination from Trilogy. Nothing in this Separation Agreement and Release shall be construed to prohibit the Employee from filing a charge or complaint, including a challenge to the validity of the waiver provision of this Agreement, with the Equal Employment Opportunity Commission or Securities and Exchange Commission, or participating in any investigation conducted by the Equal Employment Opportunity Commissions, or the Securities and Exchange Commission. However, the Employee has waived any right to monetary relief, including monetary relief pursuant to Section 21F of the *Securities and Exchange Act*.

7. Nothing in this Separation Agreement and Release shall prevent the Employee from making a claim for indemnity pursuant to any directors and officer's liability insurance pursuant to the terms and conditions of any such insurance policy in relation to any third-party claim made against the Employee. For greater certainty, neither section 7 or 8 of this Separation Agreement and Release prevents Trilogy from bringing a claim, including a claim for damages, against the Employee and/or others in relation to the acquisition of the Sun or Smucker claims by Valhalla Metals Inc. and/or Valhalla Mining LLC or the Employee's engagement in any way with Valhalla Metals Inc. and/or Valhalla Mining LLC in relation to those claims.

8. Subject to section 7 above, Trilogy agrees that it shall not be entitled to recover, or avoid making payment of, the consulting fees payable to the Employee pursuant to the consulting services Agreement attached as Schedule "A" hereto, or, terminate or claw back any stock options or restricted share units currently held by the Employee, including in any legal claim brought against the Employee. For greater certainty, section 8 of this Separation Agreement and Release is not intended to prevent Trilogy from indirectly recovering payment made to the Employee by executing on any court judgment it may obtain against him.

9. The Parties agree that the terms of this Separation Agreement and Release shall not constitute nor be deemed to be an admission of liability by any party in respect of any claim which the other party hereto presently has or hereafter can, shall or may have and any such liability by that party is in fact expressly denied. The terms of this Separation Agreement and Release are contractual and not merely a recital.

10. Employee further agrees that he will not make any claim or take any proceedings against any other person or corporation who might claim contribution or indemnity from Trilogy in respect of the subject matter of this Separation Agreement and Release.

11. This Separation Agreement and Release is binding on the heirs, executors, administrators, agents and assigns of both Parties and enures to the benefit, as applicable, of the officers, directors, shareholders, employees, agents, successors, administrators and assigns of the other party and its respective subsidiaries.

12. The Employee acknowledges that Trilogy will need to file a copy of this Separation Agreement and Release and include a summary of the terms of this Separation Agreement and Release in its public disclosure documents. The Employee understands and agrees that other than those terms included in the public disclosure documents, the Employee will not disclose, except only in the necessary conduct of his business, to his legal and financial advisors, immediate family members or unless required to do so by law, the terms of the settlement between the Employee and Trilogy.

13. It is further understood and agreed that the Employee will not make any derogatory or disparaging public statements concerning Trilogy, its affiliates, its contractual counterparties and potential business partners or any of their respective officers, directors or employees or concerning any relationship the Employee had with Trilogy or any of its subsidiaries, the contractual counterparties or any of their respective officers, directors or employees.

14. It is further agreed that no officer or director of Trilogy will make any derogatory or disparaging statement about the Employee. Notwithstanding the foregoing, nothing in this Separation Agreement and Release shall be construed to preclude truthful disclosures by officers or directors of Trilogy within any document or evidence prepared, filed or given in any legal proceedings or in response to lawful process as required by applicable law, regulation or order, directive or request of a court, governmental agency or regulatory organization.

15. It is further understood and agreed that the Employee hereby represents and declares that the Employee executes this Separation Agreement and Release as the Employee's own free act for the consideration set forth herein (and has not been influenced to any extent whatsoever in executing this Separation Agreement and Release by any representations or statements made by Trilogy, or by any person on behalf of Trilogy) and that the Employee has read this Separation Agreement and Release and has taken independent legal advice as to its terms and the Employee acknowledges that Trilogy relies on this representation and declaration.

16. This Separation Agreement and Release is subject to and conditional on the approval of the Board of Directors of Trilogy.

17. This Separation Agreement and Release is governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable therein, which shall be deemed to be the proper law hereof. The parties hereto submit to the jurisdiction of the courts of British Columbia.

18. Nothing in this Separation Agreement and Release shall be considered to modify the Equity Incentive Plan or the Restricted

Share Unit Plan, or Trilogy's rights under any of these plans.

19. The Parties hereto agree that this Separation Agreement and Release, the Consulting Agreement attached as Schedule "A" hereto and the surviving terms of the Employee's employment agreement with Trilogy, contain the entire agreement between the Parties.

THE EMPLOYEE ACKNOWLEDGES AND AGREES THAT THE EMPLOYEE HAS CAREFULLY READ AND VOLUNTARILY SIGNED THIS AGREEMENT, THAT THE EMPLOYEE HAS HAD AN OPPORTUNITY TO CONSULT WITH AN ATTORNEY OF THE EMPLOYEE'S CHOICE, AND THAT THE EMPLOYEE SIGNS THIS AGREEMENT WITH THE INTENT OF RELEASING TRILOGY AND ITS OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS FROM ANY AND ALL CLAIMS.

IN WITNESS WHEREOF the Parties have hereunto set their hands as of the date first above written.

TRILOGY METALS INC.

Per: /s/ Janice A. Stairs
Authorized Signatory

SIGNED, SEALED AND DELIVERED in)
the presence of:)
)
/s/ Caitlin Ehman)
Witness)
)
Name)
)
Address)
)
)
Occupation)

/s/ Rick Van Nieuwenhuyse
RICK VAN NIEUWENHUYSE

CONSULTING SERVICES AGREEMENT

This AGREEMENT dated September 4, 2019.

BETWEEN:

TRILOGY METALS INC.
1150 – 609 Granville Street
Vancouver, BC V7Y 1G5
(the “Company”)

AND:

RICK VAN NIEUWENHUYSE
Suite 1150 – 609 Granville Street, P.O. Box 10334
Pacific Centre, Vancouver, B.C., V7Y 1G5

(the “Consultant”)

WITNESSES THAT WHEREAS:

- A. The Consultant resigned from his employment with the Company effective September 4, 2019;
- B. The Company wishes to retain the Consultant to perform certain consulting services;
- C. The Consultant agrees to provide such services to the Company on the terms and conditions set out herein; and
- D. The Consultant will be intimately involved in the Company’s business and with the confidential information of the Company and, by virtue of such involvement, may receive confidential information regarding the Company.

THEREFORE, in consideration of the sum of \$10.00 and the covenants and agreements herein, and for other good and valuable consideration given by each party hereto to the other, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties hereby agree as follows:

1. **SERVICES**

1.1 **Services.** The Consultant agrees to perform the services set out in Schedule “A” to this Agreement.

1.2 **Independent Contractor.** It is acknowledged and agreed that:

- (a) The Consultant shall at all times be an independent contractor. The Consultant is not an employee or agent of the Company and no partnership, joint venture or agency will be created by this Agreement or by any action of the parties under this Agreement and the Consultant shall not represent himself to be in any such relationship with the Company.
- (b) The Consultant shall not have any decision-making authority for the Company.
- (c) The Consultant acknowledges and agrees that he shall be responsible for payment to the proper authorities of any and all income taxes, employment insurance premiums, Canada Pension Plan contributions and Workers’ Compensation insurance premiums or any other applicable, similar statutory withholdings in respect of the remuneration paid hereunder.

- (d) If at any time the Canada Revenue Agency or any other competent authority determines that the Consultant is an employee of the Company, then the Company will immediately begin making all statutorily required withholdings and remittances in respect of payments to the Consultant.

2. REMUNERATION

During the term of this Agreement, the Company shall pay to the Consultant the fees set out in Schedule "B", which sets out completely the remuneration payable to the Consultant.

3. EXPENSES

3.1 **Business Expenses.** The Consultant shall be reimbursed by the Company for all reasonable, pre-approved expenses incurred in connection with the performance of services, including business travel, in accordance with the Company's policies as established from time to time. The reimbursement of all expenses, pursuant to this Agreement, must be supported with appropriate receipts, invoices or similar documentation.

4. TERM AND TERMINATION

4.1 This Agreement shall commence on September 4, 2019 and shall continue until January 31, 2020, unless terminated earlier in accordance with the terms set out herein.

4.2 Either party may terminate this Agreement during its term immediately upon a fundamental breach of a material term of this Agreement.

5. CONFIDENTIAL INFORMATION AND COMPANY PROPERTY

5.1 Except as required by law or in the normal and proper course of the Consultant providing services to the Company hereunder, the Consultant will not use for the Consultant's own account or disclose to anyone else, during or after the term of this Agreement, any confidential or proprietary information or material relating to the operations or business of the Company and its subsidiaries which the Consultant obtains from the Company, the subsidiaries or their officers, employees, agents, suppliers or customers or otherwise by virtue of the Consultant's engagement by the Company or the subsidiaries. Confidential or proprietary information or material includes, without limitation, the following types of information or material, both existing and contemplated, regarding the Company or its subsidiaries except to the extent otherwise in the public domain: corporate information, including plans, strategies, tactics, policies, resolutions, and any litigation or negotiations; financial information, including cost and performance data, debt arrangements, equity structure, investors and holdings; operational and scientific information, including trade secrets; technical information, technical drawings and designs, mine plans, pit designs and reserve and resource estimates; and personnel information, including personnel lists, resumes, personnel data, organizational structure and performance evaluations (collectively, the "Confidential Information").

5.2 The Consultant agrees that all documents (including, without limitation, software and information in machine-readable form) of any nature pertaining to activities of the Company and to its subsidiaries, including without limitation, Confidential Information, in the Consultant's possession now or at any time during the term of this Agreement, are and shall be the property of the Company and its subsidiaries, and that all such documents and all copies of them shall be surrendered to the Company whenever requested by the Company.

6. RETURN OF DOCUMENTS

6.1 The Consultant agrees that all files, documents and equipment issued to the Consultant of any nature pertaining to business of the Company are and shall be the property of the Company, and that all such documents and all copies of them and any equipment shall be returned to the Company up on the termination of the Consultant's engagement by the company for any reason.

7. EQUITABLE RELIEF

7.1 The Consultant agrees that, in the event he violates any of the restrictions referred to in sections 5 and 6, the Company shall suffer irreparable harm and shall be entitled to preliminary and permanent injunctive relief and any other remedies in law or in equity which the court deems fit.

8. **SEVERABILITY**

Should any part of this Agreement be declared or held to be invalid for any reason, the invalidity shall not affect the validity of the remainder of this Agreement which shall continue in full force and effect and be construed as if this Agreement had been executed without the invalid portion, and it is hereby declared the intention of the parties that this Agreement would have been executed without reference to any portion that may, for any reason, be hereafter declared or held invalid.

9. **SURVIVAL**

The Company and the Consultant expressly acknowledge and agree that the provisions of this Agreement, which by their express or implied terms extend beyond the termination of the Consultant's services hereunder, or beyond the termination of this Agreement, shall continue in full force and effect notwithstanding the termination of the Consultant's services or the termination of this Agreement for any reason.

10. **ENTIRE AGREEMENT AND AMENDMENTS**

The provisions herein constitute the entire agreement between the parties in relation to providing consulting services to the Company and supersede all previous communications, representations and agreements, whether oral or written, between the Company and the Consultant with respect to the subject matter hereof. This Agreement may not be amended or modified except by written instrument signed by the Company and the Consultant.

11. **GOVERNING LAW**

This Agreement shall be governed by and interpreted exclusively in accordance with the laws of British Columbia, and the courts of British Columbia shall have the exclusive jurisdiction over this Agreement and any claim or dispute arising under it.

12. **ENUREMENT**

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, personal representatives and permitted assigns.

13. **ASSIGNMENT OF RIGHTS**

The Company shall have the right to assign this Agreement to another party, including, without limitation, any successor company that acquires all or substantially all of the Company's assets. The Consultant shall not assign his rights under this Agreement or delegate to others any of his functions and duties under this Agreement without the express written consent of the Company which may be withheld in its sole discretion.

14. **NOTICE**

Any notice relating to this Agreement or required or permitted to be given in accordance with this Agreement shall be in writing and shall be personally delivered or mailed by registered mail, postage prepaid to the parties at their respective addresses set out on the first page of this Agreement.

15. **CURRENCY**

All monetary amounts set out in this Agreement refer to Canadian dollars.

16. **LEGAL ADVICE**

The Consultant acknowledges that he has obtained independent legal advice before executing this Agreement.

IN WITNESS WHEREOF the parties have hereto have duly executed this agreement as of the day and year first above written.

TRILOGY METALS INC.

Per: /s/ Janice A. Stairs

/s/ Rick Van Nieuwenhuysse
RICK VAN NIEUWENHUYSE

SCHEDULE A

The Consultant agrees to provide the following services:

- 1.** The Consultant shall provide transitional services on an as-needed basis at the request of the acting or newly appointed Chief Executive Officer.

SCHEDULE B

A. Fee

1. The Company shall pay to the Consultant a consulting fee of \$40,416.66 plus GST per month, pro-rated for the month of September 2019.

EMPLOYMENT AGREEMENT

BETWEEN:

JAMES GOWANS, Business person, of 2662-124 B Street, Surrey, British Columbia, V4A 3P1

(the “Executive”)

AND:

TRILOGY METALS INC., a company incorporated pursuant to the laws of British Columbia and having its registered office in British Columbia at Suite 1150 – 609 Granville Street, Vancouver, British Columbia, V6C 1G5

(the “Company”)

WHEREAS:

- A. The Company is a natural resource company currently engaged in the acquisition and exploration of mineral properties;
- B. The Company wishes to employ and the Executive wishes to supply his services in the capacity of Acting President and Chief Executive Officer, on the terms and conditions set out in this Agreement;
- C. The Company and the Executive desire that this employment relationship and the terms thereof be formally embodied in this Agreement;

THEREFORE in consideration of the recitals, the following covenants and the payment of one dollar made by each party to the other, the receipt and sufficiency of which are acknowledged by each party, the parties agree on the following terms:

1. ENGAGEMENT AND DURATION

1.1 Engagement

The Company hereby employs the Executive as Acting President and Chief Executive Officer and the Executive accepts such employment.

1.2 Term

The Executive's employment pursuant to the terms of this Agreement shall commence effective September 4, 2019 and shall end on February 28, 2020 (the “Term”), unless extended by the mutual written agreement of the parties or unless terminated during the Term as set forth herein.

2. DUTIES

2.1 Performance of Duties

The Executive shall act as Acting President and Chief Executive Officer, and the Executive shall perform such services and duties as are normally provided by a President and Chief Executive Officer of a company in a business and of a size similar to the Company's, and such other services and duties as may reasonably be required from time to time.

2.2 Other Boards or Committees

The Executive's performance of reasonable personal, civic or charitable activities or the Executive's service on any boards or committees of any private or public companies shall not be deemed to interfere with the performance of the Executive's services and responsibilities to the Company pursuant to this Agreement, so long as there is no conflict between the business of the Company and the business of the private or public companies. The Executive agrees to inform the Board forthwith upon the Executive being appointed to any such board or committee.

2.3 Principal Place of Work

The Executive shall perform his duties at the Company's principal executive offices, which are currently located in Vancouver, British Columbia. The Executive acknowledges that his duties and responsibilities may involve a reasonable amount of traveling.

2.4 Reporting

The Executive shall report to the Board of Directors of the Company (the "Board").

2.5 Instructions

The Executive will, subject to the terms of this Agreement, comply promptly and faithfully with the reasonable and lawful instructions, directions, requests, rules and regulations of the Board.

3. REMUNERATION AND BENEFITS

3.1 Salary

The Executive has agreed that he will be fully compensated for his services through the grant of options as described in section 3.6 of this Agreement.

3.2 Reimbursement of Expenses

The Company shall reimburse the Executive for all reasonable expenses incurred by him in the performance of this Agreement provided that the Executive provides the Company with written expense accounts with respect to each calendar month.

3.3 Medical Benefits

The Company shall not be providing medical benefits.

3.4 Directors and Officers Liability Insurance

The Company shall provide the Executive with directors' and officers' liability insurance appropriate to the nature of his responsibilities under this Agreement. The directors' and officers' liability insurance will be subject to the terms and conditions of the insurance policy's coverage.

3.5 Vacation

The Executive may take a reasonable number of vacation days during the Term subject to the operational needs of the Company.

3.6 Stock Options

The Board shall grant 550,000 options to purchase common shares in the Company as full compensation for the services provided by the Executive pursuant to this Agreement. Any further stock options grants shall be at the discretion of the Board. All stock options are subject to, and will be made in accordance with, the guidelines of the Toronto Stock Exchange and the Company's Employee Stock Option Plan.

4. CONFIDENTIALITY AND NON-DISCLOSURE

4.1 “Confidential Information”

The term “Confidential Information” means any and all information concerning any aspect of the Company not publicly disclosed, which the Executive may receive or develop as a result of his engagement by or involvement with the Company, and including all technical data, concepts, reports, programs, processes, technical information, trade secrets, systems, business strategies, financial information and other information unique to the Company. All Confidential Information, including notes, diagrams, maps, reports, notebook pages, memoranda, sample materials and any excerpts thereof that include Confidential Information are the property of the Company or parties for whom the Company acts as agent or who are customers of the Company, as the case may be, and are strictly confidential to the Company and/or such parties. The Executive shall not make any unauthorized disclosure or use of and shall use his best efforts to prevent unauthorized disclosure or use of such Confidential Information.

4.2 Equitable Remedies

The Executive acknowledges that any unauthorized disclosure or use of such Confidential Information by the Executive may result in material damages to the Company and that the Company shall be entitled to seek injunctive relief or any other legal or equitable remedy to prohibit, prevent or enjoin unauthorized disclosure or use of Confidential Information by the Executive. The Executive acknowledges and agrees that his unauthorized disclosure or use of Confidential Information will cause irreparable harm to the Company that could not be adequately compensated by damages.

4.3 Use of Confidential Information

Except as authorized by the Company, the Executive will not:

- (a) duplicate, transfer or disclose nor allow any other person to duplicate, transfer or disclose any of the Company’s Confidential Information; or
- (b) use the Company’s Confidential Information without the prior written consent of the Company.

4.4 Protection of Confidential Information

The Executive will safeguard all Confidential Information at all times so that it is not exposed to or used by unauthorized persons, and will exercise at least the same degree of care used to protect the Executive’s own Confidential Information.

4.5 Exception

The restrictive obligations set forth above shall not apply to the disclosure or use of any information which:

- (a) is or later becomes publicly known under circumstances involving no breach of this Agreement by the Executive;
- (b) is already known to the Executive at the time of receipt of the Confidential Information;
- (c) is lawfully made available to the Executive by a third party;
- (d) is disclosed by the Executive pursuant to a requirement of a governmental department or agency or disclosure is otherwise required by operation of law, provided that the Executive gives notice in writing to the Company of the required disclosure immediately upon his becoming advised of such required disclosure and provided also that the Executive delays such disclosure so long as it is reasonably possible in order to permit the Company to appeal or otherwise oppose such required disclosure and provides the Company with such assistance as the Company may reasonably require in connection with such appeal or other opposition;
- (e) is disclosed to a third party under an approved confidentiality agreement; or

(f) is disclosed in the course of the Executive's proper performance of the Executive's duties under this Agreement.

4.6 Survival

The provisions of this Article 4 shall survive the termination of this Agreement.

4.7 Equitable Relief

The Executive agrees that, in the event he violates any of the restrictions referred to in sections 4 the Company shall suffer irreparable harm and shall be entitled to preliminary and permanent injunctive relief and any other remedies in law or in equity which the court deems fit.

5. DELIVERY OF RECORDS

Upon the termination of the employment of the Executive by the Company, the Executive will deliver to the Company all books, records, lists, brochures and other property belonging to the Company or developed in connection with the business of the Company, and will execute such transfer documentation as is necessary to transfer such property or intellectual property to the Company.

6. TERMINATION

6.1 The Executive's Right to Terminate

The Executive may terminate his obligations under this Agreement during the Term at any time upon providing thirty days notice in writing to the Company.

6.2 Company's Right to Terminate

The Company may terminate the Executive's employment under this Agreement during the Term at any time:

- (a) for just cause which shall include, without limitation, any of the following events:
 - (i) theft, dishonesty or fraud by the Executive with respect to the business of the Company;
 - (ii) the conviction of the Executive for a criminal offence that gives rise or is likely to give rise to the Company's stock becoming ineligible for listing on any stock exchange or market or the Company's stock being subject to a cease-trade order by a Canadian or US securities regulatory authority; or
 - (iii) any and all other omissions, commissions or other conduct which would constitute just cause at law; or
- (b) upon the Executive dying; or
- (c) at any time by providing the Executive with 14 days' written notice.

6.3 Property Interests

If the Executive's employment with the Company is terminated, and within two years of such termination, the Executive acquires directly or indirectly other than from the Company or its subsidiaries any present or future interest in any mining claims or properties or mineral interests within the area of interest as identified in the NANA Agreement and within 10 kilometers of the external boundaries of any mineral property held by the Company during the time the Executive was employed by the Company, the Executive will offer the Company, in writing the right to acquire such interest in exchange for reimbursement of his direct and indirect acquisition costs. The Company shall have 30 days after receipt of such offer to accept the offer and 90 days after receipt of such offer to reimburse such costs.

6.4 Resignations

Upon termination of the Executive for whatever reason the Executive shall forthwith execute and deliver to the Company his written resignation from any and all offices of the Company and its affiliates, without claim for compensation for loss of office save and except that the Executive shall not be required to resign as a director of the Company.

6.5 Payments in Full Settlement

The Executive acknowledges and agrees that the notice provided for pursuant to this Article 6 shall be in full satisfaction of all claims, losses, costs, damages or expenses in connection with the termination of his employment, including termination pay and severance pay pursuant to any applicable labour laws as amended from time to time. Except as provided in this Article, the Executive shall not be entitled to any further notice, termination payments, damages or compensation whatsoever in connection with the employment of the Executive and the termination thereof.

7. PERSONAL NATURE

The obligations and rights of the Executive under this Agreement are personal in nature, based upon the singular skill, qualifications and experience of the Executive.

8. RIGHT TO USE EXECUTIVE'S NAME AND LIKENESS

During the term of this Agreement, the Executive hereby grants to the Company the right to use the Executive's name, likeness and/or biography in connection with the services performed by the Executive under this Agreement and in connection with the advertising or exploitation of any project with respect to which the Executive performs services for the Company.

9. LEGAL ADVICE

The Executive hereby represents, warrants and acknowledges to the Company that he has had the opportunity to receive independent legal advice prior to the execution and delivery of this Agreement.

10. WAIVER

No consent or waiver, express or implied, by any party to this Agreement of any breach or default by any other party in the performance of its obligations under this Agreement or of any of the terms, covenants or conditions of this Agreement shall be deemed or construed to be a consent or waiver of any subsequent or continuing breach or default in such party's performance or in the terms, covenants and conditions of this Agreement. The failure of any party to this Agreement to assert any claim in a timely fashion for any of its rights or remedies under this Agreement shall not be construed as a waiver of any such claim and shall not serve to modify, alter or restrict any such party's right to assert such claim at any time thereafter.

11. NOTICES

11.1 Delivery of Notice

Any notice relating to this Agreement or required or permitted to be given in accordance with this Agreement shall be in writing and shall be personally delivered or mailed by registered mail, postage prepaid to the address of the parties set out on the first page of this Agreement. Any notice shall be deemed to have been received if delivered, when delivered, and if mailed, on the fifth day (excluding Saturdays, Sundays and holidays) after the mailing thereof. If normal mail service is interrupted by strike, slowdown, force majeure or other cause, a notice sent by registered mail will not be deemed to be received until actually received and the party sending the notice shall utilize any other services which have not been so interrupted or shall deliver such notice in order to ensure prompt receipt thereof.

11.2 Change of Address

Each party to this Agreement may change its address for the purpose of this Part 11 by giving written notice of such change in the manner provided for in paragraph 11.1.

12. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable therein, which shall be deemed to be the proper law hereof. The parties hereto hereby submit to the jurisdiction of the courts of British Columbia. All obligations of the parties under this Agreement are subject to receipt of all necessary approvals of the applicable securities regulatory authorities.

13. SEVERABILITY

If any provision of this Agreement for any reason be declared invalid, such declaration shall not affect the validity of any remaining portion of the Agreement, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties that they would have executed the remaining portions of this Agreement without including therein any such part, parts or portion which may, for any reason, be hereafter declared invalid.

14. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties hereto and there are no representations or warranties, express or implied, statutory or otherwise other than set forth in this Agreement and there are no agreements collateral hereto other than as are expressly set forth or referred to herein. This Agreement cannot be amended or supplemented except by a written agreement executed by all parties hereto.

15. NON-ASSIGNABILITY

This Agreement shall not be assigned by any party to this Agreement without the prior written consent of the other parties to this Agreement.

16. BURDEN AND BENEFIT

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.

17. TIME

Time is of the essence of this Agreement.

18. COUNTERPARTS

This Agreement may be executed in counterparts and such counterparts together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed this Agreement effective as of the 21st day of October, 2019.

TRILOGY METALS INC.

/s/ Janice Stairs _____

Per: JANICE STAIRS

CHAIR

/s/ James Gowans _____

JAMES GOWANS

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

<u>Name of Subsidiary</u>	<u>Jurisdiction of Organization</u>
NovaCopper US Inc. (dba Trilogy Metals US).....	Delaware
Ambler Metals LLC (50% owned by NovaCopper US Inc.)...	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the registration statements on Forms S-8 (No. 333-234417, No. 333-208149, No. 333-205102, No. 333-188950, and No. 333-181020) and the registration statement on Form S-3 (No. 333-220484 and No. 333-234164) of Trilogy Metals Inc. of our report dated February 12, 2020, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants
Vancouver, Canada

February 12, 2020

CONSENT OF ANDREW WEST

I hereby consent to the inclusion in this Annual Report on Form 10-K, which is being filed with the United States Securities and Exchange Commission, of references to my name and to the use of the scientific and technical information included in Trilogy Metals Inc.'s Annual Report on Form 10-K for the year ended November 30, 2019.

I also consent to the incorporation by reference in Trilogy Metals Inc.'s Registration Statements on Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) and the Registration Statement on Form S-3 (No. 333-220484 and No. 333-234164) of references to my name and to the use of the scientific and technical information included in the Annual Report on Form 10-K as described above.

DATED: February 7, 2020

/s/ Andrew West

Name: Andrew West

CONSENT OF BD RESOURCE CONSULTING, INC.

The undersigned hereby consents to the inclusion in or incorporation by reference in (i) the Form 10-K of Trilogy Metals Inc. being filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended November 30, 2019 and (ii) the registration statements on Form S-3 (No. 333-220484 and No. 333-234164) and Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) (the “Registration Statements”) of Trilogy Metals Inc. filed with the SEC, to any amendments or post-effective amendments to the Registration Statements and to any prospectuses or prospectus supplements thereto, of references to BD Resource Consulting, Inc.’s name and to the use of the technical reports titled (x) “Arctic Project, Northwest Alaska, USA NI 43-101 Technical Report on Pre-Feasibility Study” dated effective February 20, 2018 and released April 6, 2018 and (y) “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective June 5, 2018 and released July 20, 2018 (the “Technical Reports”), and the use of scientific and technical information, including any reserve and resource estimates, from the Technical Reports (collectively, the “Technical Information”), including extracts from or summaries of the Technical Information.

DATED: February 3, 2020

/s/ Bruce M. Davis

Name: Bruce M. Davis

Title: President

CONSENT OF SIM GEOLOGICAL INC.

The undersigned hereby consents to the inclusion in or incorporation by reference in (i) the Form 10-K of Trilogy Metals Inc. being filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended November 30, 2019 and (ii) the registration statements on Form S-3 (No. 333-220484 and No. 333-234164) and Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) (the “Registration Statements”) of Trilogy Metals Inc. filed with the SEC, to any amendments or post-effective amendments to the Registration Statements and to any prospectuses or prospectus supplements thereto, of references to SIM Geological Inc.’s name and to the use of the technical reports titled (x) “Arctic Project, Northwest Alaska, USA NI 43-101 Technical Report on Pre-Feasibility Study” dated effective February 20, 2018 and released April 6, 2018 and (y) “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective June 5, 2018 and released July 20, 2018 (the “Technical Reports”), and the use of scientific and technical information, including any reserve and resource estimates, from the Technical Reports (collectively, the “Technical Information”), including extracts from or summaries of the Technical Information.

DATED: January 31, 2020

\s\ Robert Sim

Name: Robert Sim, P.Ge

Title: President, SIM Geological Inc.

CONSENT OF INTERNATIONAL METALLURGICAL & ENVIRONMENTAL INC.

The undersigned hereby consents to the inclusion in or incorporation by reference in (i) the Form 10-K of Trilogy Metals Inc. being filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended November 30, 2019 and (ii) the registration statements on Form S-3 (No. 333-220484 and No. 333-234164) and Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) (the “Registration Statements”) of Trilogy Metals Inc. filed with the SEC, to any amendments or post-effective amendments to the Registration Statements and to any prospectuses or prospectus supplements thereto, of references to International Metallurgical & Environmental Inc.’s name and to the use of the technical reports titled (x) “Arctic Project, Northwest Alaska, USA NI 43-101 Technical Report on Pre-Feasibility Study” dated effective February 20, 2018 and released April 6, 2018 and (y) “NI 43-101 Technical Report on the Bornite Project, Northwest Alaska, USA” dated effective June 5, 2018 and released July 20, 2018 (the “Technical Reports”), and the use of scientific and technical information, including any reserve and resource estimates, from the Technical Reports (collectively, the “Technical Information”), including extracts from or summaries of the Technical Information.

DATED: February 5, 2020

International Metallurgical & Environmental Inc.

\s\ Jeffrey Austin

Name: Jeffrey B. Austin

Title: President

CONSENT OF AUSENCO ENGINEERING CANADA INC.

The undersigned hereby consents to the inclusion in or incorporation by reference in (i) the Form 10-K of Trilogy Metals Inc. being filed with the U.S. Securities and Exchange Commission (the "SEC") for the fiscal year ended November 30, 2019 and (ii) the registration statements on Form S-3 (No. 333-220484 and No. 333-234164) and Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) (the "Registration Statements") of Trilogy Metals Inc. filed with the SEC, to any amendments or post-effective amendments to the Registration Statements and to any prospectuses or prospectus supplements thereto, of references to the Ausenco Engineering Canada Inc.'s name and to the use of the technical report titled "Arctic Project, Northwest Alaska, USA NI 43-101 Technical Report on Pre-Feasibility Study" dated effective February 20, 2018 and released April 6, 2018 (the "Technical Report"), and the use of scientific and technical information, including any reserve and resource estimates, from the Technical Report (collectively, the "Technical Information"), including extracts from or summaries of the Technical Information.

DATED: February 6, 2020

Ausenco Engineering Canada Inc.

\s\ Paul Staples

Name: Leonard (Paul) Staples

Title: VP & Global Practice Lead, M&M

**CONSENT OF WOOD CANADA LIMITED,
FORMERLY KNOWN AS AMEC FOSTER WHEELER AMERICAS LIMITED**

The undersigned hereby consents to the inclusion in or incorporation by reference in (i) the Form 10-K of Trilogy Metals Inc. being filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended November 30, 2019 and (ii) the registration statements on Form S-3 (No. 333-220484 and No. 333-234164) and Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) (the “Registration Statements”) of Trilogy Metals Inc. filed with the SEC, of references to Wood Canada Limited’s name (formerly known as Amec Foster Wheeler Americas Limited) and to the use of the technical report titled “Arctic Project, Northwest Alaska, USA NI 43-101 Technical Report on Pre-Feasibility Study” dated effective February 20, 2018 and released April 6, 2018 (the “Technical Report”), and the use of scientific and technical information, including any reserve estimates, from sections of the Technical Report prepared by Wood (collectively, the “Technical Information”), including extracts from or summaries of the Technical Information.

DATED: February 7, 2020

On behalf of:

Wood Canada Limited, formerly known as Amec Foster Wheeler Americas Limited

/s/ Greg Gosson

Name: Greg Gosson

Title: Manager, Consulting Canada

CONSENT OF SRK CONSULTING (CANADA) INC.

The undersigned hereby consents to the inclusion in or incorporation by reference in (i) the Form 10-K of Trilogy Metals Inc. being filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended November 30, 2019 and (ii) the registration statements on Form S-3 (No. 333-220484 and No. 333-234164) and Form S-8 (No. 333-181020, No. 333-188950, No. 333-205102, No. 333-208149 and No. 333-234417) (the “Registration Statements”) of Trilogy Metals Inc. filed with the SEC, to any amendments or post-effective amendments to the Registration Statements and to any prospectuses or prospectus supplements thereto, of references to SRK Consulting (Canada) Inc.’s name and to the use of the technical report titled “Arctic Project, Northwest Alaska, USA NI 43-101 Technical Report on Pre-Feasibility Study” dated effective February 20, 2018 and released April 6, 2018 (the “Technical Report”), and the use of scientific and technical information, including any reserve and resource estimates, from the Technical Report (collectively, the “Technical Information”), including extracts from or summaries of the Technical Information.

DATED: February 6, 2020

SRK Consulting (Canada) Inc.

/s/ Calvin Boese

Name: Calvin Boese

Title: Principal Consultant

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, James Gowans, certify that:

1. I have reviewed this annual report on Form 10-K of Trilogy Metals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ James Gowans
James Gowans
Interim Chief Executive Officer

Date: February 13, 2020

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934

I, Elaine Sanders, certify that:

1. I have reviewed this annual report on Form 10-K of Trilogy Metals Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Elaine Sanders

Elaine Sanders

Chief Financial Officer

Date: February 13, 2020

CERTIFICATION PURSUANT TO

18 U.S.C. §1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Trilogy Metals Inc. (the "Company") on Form 10-K for the year ended November 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Gowans, Interim Chief Executive Officer of the Company, certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2020

By: /s/ James Gowans
James Gowans
Interim Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Trilogy Metals Inc. (the “Company”) on Form 10-K for the year ended November 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Elaine Sanders, Chief Financial Officer of the Company, certify that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 13, 2020

By: /s/Elaine Sanders
Elaine Sanders
Chief Financial Officer