Trilogy Metals Inc.

Management's Discussion & Analysis
For the Fourth Quarter and Year Ended November 30, 2021
(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 10, 2022 and provides an analysis of our audited financial results for the year ended November 30, 2021 compared to the year ended November 30, 2020. A discussion of our year ended November 30, 2020 compared to November 30, 2019 is contained in our report on Form 10-K for the year ended Novemebr 30, 2020.

The following information should be read in conjunction with our November 30, 2021 audited consolidated financial statements and related notes which were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). A summary of the U.S. GAAP accounting policies is outlined in note 2 of the audited consolidated financial statements. All amounts are in United States dollars unless otherwise stated. References to "Canadian dollars" and "C$" and "CDN$" are to the currency of Canada and references to "U.S. dollars", "$" or "US$" are to the currency of the United States.

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

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

Description of business

We are a base metals exploration company focused on the exploration and development of mineral properties, through our equity investee, in the Ambler mining district located in Alaska, U.S.A. We conduct our operations through a wholly owned subsidiary, NovaCopper US Inc. which is doing business as Trilogy Metals US ("Trilogy Metals US"). Our Upper Kobuk Mineral Projects, ("UKMP" or "UKMP Projects") were contributed into a 50/50 joint venture named Ambler Metals LLC ("Ambler Metals") between Trilogy and South32 Limited ("South32") on February 11, 2020 (see below). The projects contributed to Ambler Metals consist of: i) the Ambler lands which host the Arctic copper-zinc-lead-gold-silver project (the "Arctic Project"); and ii) the Bornite lands being explored under a collaborative long-term agreement with NANA Regional Corporation, Inc. ("NANA"), a regional Alaska Native Corporation, which hosts the Bornite carbonate-hosted copper project (the "Bornite Project") and related assets. The Company also conducts early-stage exploration through a wholly owned subsidiary, 995 Exploration Inc.

Property review

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

Arctic Project

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

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

Bornite Project

On October 19, 2011, Trilogy Metals US and NANA signed a collaborative agreement to explore and develop the Ambler mining district. Under the Exploration Agreement and Option to Lease (as amended, the "NANA Agreement"), we acquired, in exchange for, among other things, a $4.0 million cash payment to NANA, the exclusive right to explore the Bornite property and lands deeded to NANA through the Alaska Native Claims Settlement Act ("ANCSA"), located adjacent to the Arctic Project, and the non-exclusive right to access and entry onto NANA's lands. The NANA Agreement establishes a framework for any future development of either the Bornite Project or the Arctic Project. Both projects are included as part of a larger area of interest set forth in the NANA Agreement.

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

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

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

Joint venture

Option agreement

On April 10, 2017, Trilogy and Trilogy Metals US entered into an Option Agreement to form a Joint Venture with South32 Group Operations Pty Ltd., a wholly-owned subsidiary of South32, which agreement was later assigned by South32 Operations Pty Ltd. to its affiliate, South32 USA Exploration Inc. on the UKMP ("Option Agreement"). Under the terms of the Option Agreement, as amended, Trilogy Metals US granted South32 the right to form a 50/50 joint venture to hold all of Trilogy Metals US' Alaskan assets. South32 exercised its option on December 19, 2019.

Formation of joint venture

On February 11, 2020, Trilogy completed the formation of the 50/50 joint venture with South32. Trilogy contributed all its assets associated with the 172,675-hectare UKMP, including the Arctic and Bornite Projects, while South32 contributed a subscription price of US$145 million (the "Subscription Price"), resulting in each party owning a 50% interest in Ambler Metals. The Subscription Price will be used to advance the Arctic and Bornite Projects, along with exploration in the Ambler mining district. With Ambler Metals being well funded, with access to $145 million, Trilogy does not expect to fund programs and budgets to advance the UKMP until the Subscription Price is spent by Ambler Metals. To assist Ambler Metals during the initial set up phase, Trilogy was paying all of Ambler Metals' invoices and being reimbursed pursuant to a services agreement (the "Services Agreement") between Trilogy and Ambler Metals until the back office was fully transitioned to a new permanent team employed by the Joint Venture in fiscal 2021. The Services Agreement ended on December 31, 2020.

To ensure a successful startup of the Joint Venture, management from Trilogy and South32 took on interim management roles. Darryl Steane, South32's Business Development Manager assumed the duties as Interim President of Ambler Metals; Elaine Sanders, Trilogy's Chief Financial Officer assumed the duties as Interim Vice President Finance of Ambler Metals; and Robert (Bob) Jacko, Trilogy's Senior Vice President Operations assumed the duties as Interim Vice President Operations of Ambler Metals. Prior to the end of fiscal 2020, the permanent management team at Ambler Metals was hired and are all now based in Alaska. The joint venture company is led by President and Chief Executive Officer, Ramzi

Fawaz, Vice President Operations, Kevin Torpy and Vice President Finance, Rebecca Donald. In addition to the appointment of the leadership team at Ambler Metals, the Trilogy technical team was also transitioned over to the joint venture entity during fiscal 2020.

Ambler Metals is an independently operated company, jointly controlled by Trilogy and South32 through a four-member board of which two members are currently appointed by Trilogy based on its 50% equity interest. All significant decisions related to the UKMP require the approval of both companies. We determined that Ambler Metals is a variable interest entity, or VIE, because it is expected to need additional funding from its owners for its significant activities. However, we concluded that we are not the primary beneficiary of Ambler Metals as the power to direct its activities, through its board, is shared under the limited liability company agreement. As we have significant influence over Ambler Metals through our representation on its board, we use the equity method of accounting for our investment in Ambler Metals. Our investment in Ambler Metals was initially measured at its fair value of $176 million upon recognition. Our maximum exposure to loss in this entity is limited to the carrying amount of our investment in Ambler Metals, which, as of November 30, 2021, totaled $160.1 million.

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

Project activities

Upper Kobuk Mineral Projects

In a press release dated May 17, 2021, the Company announced that Ambler Metals had finalized the details of the 2021 exploration field program at the UKMP for the previously approved $27 million exploration budget. The budget was 100% funded by Ambler Metals and included 7,600 meters of infill and metallurgical drilling at the Arctic Project as well as 7,000 meters of exploration drilling within the Ambler VMS Belt. The exploration program was aligned with a strategy developed by the Company and South32 which prioritized the exploration budget within the UKMP. The strategy defined a program that advances the highest priority projects and exploration targets, both VMS and Carbonate-Hosted Copper ("CHC"), ranging from early-stage geophysical anomalies that were identified during the 2019 airborne Versatile Time Domain Electromagnetic ("VTEM") survey to advanced VMS and CHC prospects with historical resources. The site camp opened on June 1, 2021 with the summer drill program completed on September 22, 2021.

Drilling productivity at the project was behind schedule during the 2021 field season due to adverse weather conditions in the district and challenges with the contractor staffing the drill rigs. As a result, a total of 7,325 meters of the originally planned drill program were completed. Despite the lower-than-expected drill productivity, all planned geotechnical drilling at the Arctic Project was completed and sufficient mineralized material was recovered to complete the planned metallurgical program.

Arctic Project

The 2021 field season plan for the Arctic Project focused on an additional 7,600 meters of drilling in order to extract additional material for metallurgical work and for the conversion of mineral resources into the measured category. The metallurgical program associated with this drilling was to support variability test work and pilot plant work. Technical activities at the Arctic Project commenced in early June with initial work focused on infill drilling to further improve the confidence of the Mineral Resources from the Indicated to Measured category. During the field season a total of 18 holes were completed at Arctic comprising 4,131 meters of core. All the core has been logged and sampled.

Regional Exploration Project

During the 2021 field season, two drill rigs were relocated from the Arctic Project to the Regional drilling program. Regional drilling was focused on near Arctic ("Arctic Hub") exploration targets, with the goal of discovering nearby copper-rich satellite deposits within a 3-to-5-kilometer radius of the Arctic deposit. Drilling was completed at the Arctic East and Southeast Arctic targets before moving drills to investigate other targets within the UKMP, including Snow and the Ambler Lowlands. A total of 8 holes were completed totaling 3,194 meters.

In addition to the regional drill program, geologists also carried out regional geological mapping within the Ambler VMS belt. Traverses were completed along creeks within the Center of the Universe prospect, the DH prospect, and in Jackass Creek (between the DH and Cliff prospects), the Bud-Sunshine-West Dead Creek prospect cluster, Dead Creek, Pipe, and the Nora prospects.

Geochemical soil sampling is ongoing within the Cosmos Hills around Bornite and the Ambler VMS Belt. The goal of this program is to follow-up on previous anomalous geochemical results and to investigate geophysical anomalies that were identified during the 2019 airborne versatile time domain electromagnetic survey.

Arctic Mine Permitting

Arctic mine permitting preparation work was ongoing during fiscal 2021 for filing formal federal permitting documentation for the Arctic Project. An independent consulting company has completed a preparedness review of the draft permitting package for the Arctic Project and presented the results of this review to the technical teams of South32 and Trilogy. The review concluded that the Ambler Metals permitting strategy is sound and the permitting package can proceed with minor changes. Ambler Metals is now making the recommended changes to the permitting package and expects to file the permitting application, which expects to start the formal permitting process for the Arctic Project, with the United States Army Corps. of Engineers ("USACE") in 2022. The Company expects the overall permitting process to take 24 to 30 months to be completed.

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

During the summer of 2020, the United States Bureau of Land Management ("BLM") issued the Joint Record of Decision ("JROD") for the AMDIAP. Lawsuits were filed shortly thereafter by a coalition of national and Alaska environmental non-government organizations in response to the BLM's issuance of the JROD for the Ambler Access Project.

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

During the second quarter of 2021, AIDEA signed a land access agreement with Doyon Limited to conduct feasibility and permitting activities to advance the Ambler Access Project and in September 2021 AIDEA signed a land access agreement with NANA Regional Corporation, Inc. to conduct similar activities.

On October 27, 2021, the federal defendants were granted a 60-day stay with respect to each of the lawsuits. In its request for the stay, the DOJ stated that it was necessary to "accommodate review of this matter by officials within the United States Department of the Interior who have engaged in various discussions with multiple parties involving this matter and in government-to-government consultations with tribal entities".

On February 7, 2022, the court granted a second request from the federal defendants for an extension to file their response to the plaintiff's brief. Ambler Metals had opposed the extension request. The federal defendants are now required to file their response no later than February 22, 2022.

Development Funding Agreement regarding the Ambler Access Project with the Alaska Industrial Development and Export Authority

The 2021 field season for the Ambler Access Project consisted of cultural heritage work along the proposed 211-mile, east-west-running controlled industrial access road that would provide industrial access to the Ambler Mining District in Northwestern Alaska. The Alaska Industrial Development and Export Authority has prioritized cultural heritage work, aquatic habitat studies and geotechnical planning for this year's and next year's field seasons to progress the feasibility engineering and permitting work for the road. On August 9, 2021, the Governor of Alaska, Mike Dunleavy, visited the UKMP. During the visit, the Governor reiterated his strong support for the development of the Ambler Mining District and for the development of the Ambler Access Project. He also announced the formation of the Subsistence Advisory Committee Working Group which is to include Native stakeholders within the Northwest Arctic Borough and the Doyon Region who could be affected by the proposed road. This committee is being formed to develop the terms of reference for the formal Subsistence Advisory Committee that will provide guidance on subsistence and other matters for the design and operation of the road.

Early-stage exploration

During the year, the Company acquired, through staking, mineral claims located in Alaska, USA outside of the UKMP. During the 2021 field season, the Company executed a 10-day preliminary reconnaissance program of the claims to confirm government-mapped geology and to collect rock and stream sediment samples.

Outlook

On January 11, 2022, the Company announced the approval of the 2022 program and budget for Ambler Metals of approximately $28.5 million to advance the UKMP. The budget is fully funded by Ambler Metals. The 2022 budget for Ambler Metals, approved by the owners, Trilogy and South32, will cover up to 10,000 meters of helicopter-supported diamond drilling that is expected to commence in early June. The meterage will be divided between resource development drilling at Arctic and scout drilling of both VMS targets in the Ambler Belt, with a focus on targets near Arctic, and Carbonate-Hosted Copper targets around Bornite and the Cosmos Hills. A greater effort on the ground to identify and evaluate new targets for drilling, including the use of ground and down-hole electro-magnetic (EM) surveys, is planned.

On February 7, 2022, the Company announced the approval of the 2022 program and budget for the Ambler Access Project of approximately $30.8 million of which $15.4 million will be funded by AIDEA and $15.4 million will be funded by Ambler Metals. During the 2022 field season, AIDEA will be carrying out additional work including, geotechnical investigations, right-of-way surveys, environmental studies, road and bridge engineering design work, and cultural resources work.

The Company has approved a 2022 cash budget for corporate activities of approximately $5.5 million (2021 - $5.3 million). The corporate budget consists of personnel and related costs of $2.1 million (2021 - $2.0 million), professional fees of $0.9 million (2021 - $1.1 million), investor relations and marketing costs of $0.6 million (2021 - $0.6 million), office related costs of $0.5 million (2021 - $0.5 million), insurance costs of $0.5 million (2021 - $0.4 million), regulatory costs of $0.3 million (2021 - $0.3 million) and exploration activities of $0.15 million (2021 - Nil). The 2022 budget has increased slightly from the prior year due mainly to an increase in insurance costs, addition of exploration activities and foreign exchange impacts on Canadian dollar sourced amounts for personnel and office related costs. The Company's management team is focused on the oversight of our investment in Ambler Metals and will closely work with Ambler Metals. The Company's technical staff will work closely with South32's technical team and Ambler Metals exploration staff to review opportunities on advancing its known deposits and look at potential new targets in the large land package that is held by Ambler Metals. A significant amount of uncertainty continues to exist with the Company's annual renewal of its insurance policies and costs are currently unpredictable. Insurance premiums may differ significantly from our budget. The Company has sufficient cash on hand to fund its corporate activities including any increases in insurance premiums upon renewal.

Summary of results

in thousands of dollars,
except for per share amounts

Selected expenses	Year ended November 30, 2021 $	Year ended November 30, 2020 $
Exploration expense	143	—
Mineral properties and feasibility study expenses	—	2,610
General and administrative	1,517	1,650
Investor relations	602	537
Professional fees	818	1,347
Salaries	2,007	1,411
Salaries – stock-based compensation	3,472	3,564
Gain on derecognition of assets contributed to joint venture	—	(175,770)
Share of loss on equity investment	13,082	2,855
Comprehensive earnings (loss) for the year	(21,660)	161,767
Basic earnings (loss) per common share	(0.15)	1.14
Diluted earnings (loss) per common share	(0.15)	1.12

For the year ended November 30, 2021, we reported a net loss of $21.7 million (or $0.15 basic and diluted loss per common share) compared to a net earnings of $161.8 million (or $1.14 basic earnings and $1.12 diluted earnings per common share) in fiscal 2020. The $183.4 million decrease in comprehensive earnings in the current year, when compared to fiscal 2020, is primarily due to the $175.8 million gain on the derecognition of assets contributed to the joint venture during fiscal 2020. This variance is offset by $2.6 million in mineral property and feasibility study expenses incurred in 2020 that were not incurred during 2021. Adding to the variances in 2021 were an increase of $10.2 million in our 50% share of the joint venture's net operating loss and an increase of $0.6 million in salaries, offset by a decrease of $0.5 million in professional fees. Our share of loss on equity investment was higher versus the 2020 comparative due to project related drill program costs incurred by Ambler Metals during the 2021 field season. These costs were not incurred during the prior year as the 2020 field season had been cancelled due to the COVID-19 pandemic. The increase in salaries reflects the additions to the executive team during the third quarter of 2020. Professional fees were higher in 2020 due to one-time charges incurred for the implementation of new accounting standards and legal and accounting fees in relation to the formation of the joint venture. Additionally, the Company incurred exploration costs of $0.1 million for a preliminary reconnaissance program on new mineral claims that were staked outside of the UKMP during fiscal 2021.

Fourth quarter results

During the fourth quarter of 2021, we incurred a loss of $6.1 million compared to a loss of $3.2 million in the fourth quarter of 2020. The primary drivers for the difference were as follows: a) an increase of $3.2 million in our share of loss on equity investment as the current quarter results include project activity costs that Ambler Metals incurred for completing the 2021 drill program as well as pre-development costs for the Ambler Access Project for which there are no prior year fourth quarter comparatives; b) $0.1 million lower professional fees as the comparative includes additional legal fees for corporate matters and tax consulting fees; and c) $0.1 million lower stock-based compensation as the comparative includes a Restricted Share Unit ("RSU") grant that vested during the fourth quarter of 2020. There were no RSUs granted during 2021.

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, 2021 $	Year ended November 30, 2020 $
Interest income	16	87
Services agreement income	22	929
Expenses	8,616	12,164
Comprehensive (loss) earnings for the year	(21,660)	161,767
Total assets	167,305	185,265
Total liabilities	1,266	1,454

Quarterly information

in thousands of dollars, except per share amounts

	Q4 2021 11/30/21 $	Q3 2021 08/31/21 $	Q2 2021 05/31/21 $	Q1 2021 02/28/21 $	Q4 2020 11/30/20 $	Q3 2020 08/31/20 $	Q2 2020 05/31/20 $	Q1 2020 02/29/20 $
Interest and other income	**2**	**4**	**5**	**5**	5	8	12	62
Exploration expense	**13**	**130**	**—**	**—**	—	—	—	—
Mineral properties and feasibility study expenses	**—**	**—**	**—**	**—**	91	232	742	1,545
Share of loss on equity investment	**4,190**	**6,072**	**1,700**	**1,120**	1,022	1,094	561	178
Earnings (loss) for the period	**(6,067)**	**(7,664)**	**(3,413)**	**(4,516)**	(3,226)	(3,184)	(3,002)	171,179
Earnings (loss) per common share – basic	**(0.05)**	**(0.05)**	**(0.02)**	**(0.03)**	(0.04)	(0.02)	(0.02)	1.22
Earnings (loss) per common share – diluted	**(0.05)**	**(0.05)**	**(0.02)**	**(0.03)**	(0.01)	(0.01)	(0.02)	1.16

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

For the third quarter of 2021, we reported a comprehensive loss of $7.7 million, which consisted of $1.6 million in operating expenses and $6.1 million for Trilogy's 50% share of Ambler Metals' operating loss. In the third quarter of 2020, we reported a comprehensive loss of $3.2 million which consisted of $2.1 million in operating expenses and $1.1 million for Trilogy's share of Ambler Metals' operating loss. When compared to the third quarter of 2020, our pro rata share of the joint venture's operating loss is $5 million higher. The increase is due to the project drilling costs incurred during the 2021 field season. Ambler Metals did not incur these costs during the third quarter of 2020 due to the cancellation of the 2020 field season because of the COVID-19 pandemic. The $0.5 million decrease in operating expenses for the current period versus the comparative was primarily due to a decrease of $0.7 million in stock-based compensation, offset by a $0.2 million increase in salaries as in the current period, CEO compensation is salary-based verses stock based in the comparative third quarter of 2020.

For the second quarter of 2021, we reported a comprehensive loss of $3.4 million, which consisted of $1.7 million in operating expenses and $1.7 million for Trilogy's 50% share of Ambler Metals' operating loss. In the second quarter of

2020, we recognized a comprehensive loss of $3.0 million which consisted of $2.5 million in operating expenses and $0.6 million for Trilogy's share of Ambler Metals' operating loss. When compared to the second quarter of 2020, our pro rata share of the joint venture's operating loss is $1.1 million higher for the second quarter of 2021. The increase is due to camp set up costs in relation to the 2021 field season. Ambler Metals did not incur these costs during the second quarter of 2020 due to the cancellation of the 2020 field season because of the COVID-19 pandemic. The $0.8 million decrease in operating expenses for the second second quarter versus the comparative was primarily due to the Arctic project feasibility study costs that were incurred by Trilogy during the second quarter of 2020 for which there are no comparatives for the same quarter in 2021.

For the first quarter of 2021, we reported a comprehensive loss of $4.5 million, which consists of $3.4 million in operating expenses and $1.1 million for Trilogy's 50% share of Ambler Metals' operating loss. In the first quarter of 2020, we recognized a gain of $176 million from the contribution of our Alaskan mineral properties to the joint venture for which there was no comparative in fiscal 2021. Other variances, when compared to the three-month period ended February 29, 2020, include our pro rata share of the joint venture's operating loss, which is $0.9 million higher in the period and operating expenses, which are $1.1 million lower for the period. The decrease in the operating expenses is primarily due to the elimination of $1.5 million in mineral properties expenses as the mineral properties were contributed to the joint venture during the first quarter of 2020 and a cost savings of $0.4 million from professional fees, offset by an increase of $1.0 million in stock-based compensation.

Liquidity and capital resources

We expended $5.1 million on operating activities during the 2021 fiscal year compared with $8.3 million for operating activities for the same period in 2020. A majority of cash spent on operating activities during the prior fiscal year was expended on mineral property expenses, general and administrative expenses, salaries and professional fees. Ambler Metals assumed responsibility for project funding upon formation of the Joint Venture on February 11, 2020. As a result, the majority of cash spent on operating activities during the 2021 fiscal year was expended on general and administrative expenses, salaries and professional fees.

At November 30, 2021, we had $6.3 million in cash and cash equivalents and working capital of $5.6 million. Management believes that the cash available is sufficient to meet its budgeted $5.5 million operating requirements for the next twelve months. The Company continues to manage its cash expenditures through its working capital. All project related costs are funded by the joint venture. Amber Metals is well funded to advance the UKMP with $61.2 million in cash and $55.4 million loan receivable from South32 as at November 30, 2021 and an operating budget of $28.5 million for fiscal 2022. Trilogy does not anticipate having to fund the activities of Ambler Metals until the initial contribution of $145 million is expended.

Future cash requirements may vary materially from current expectations due to a number of factors, including foreign exchange denominated office related costs and insurance renewal costs. The Company will need to raise additional funds to support its operations and administration expenses. Future sources of liquidity may include debt financing, equity financing, convertible debt, exercise of options, or other means. The continued operations of the Company are dependent on its ability to obtain additional financing or to generate future cash flows.

Off-balance sheet arrangements

We have no material off-balance sheet arrangements.

Outstanding share data

At February 11, 2022, we had 145,464,286 common shares issued and outstanding. At February 11, 2022, we had 12,242,150 stock options outstanding with a weighted-average exercise price of $1.98 and 1,438,186 Deferred Share Units ("DSUs") and 257,267 Restricted Share Units ("RSUs") outstanding. We continue to hold 11,927 NovaGold Resources Inc. ("NovaGold") DSUs for which the NovaGold director is entitled to receive one common share of Trilogy for every six NovaGold shares to be received upon their retirement from the NovaGold board. A total of 1,988 common shares will be issued upon redemption of the NovaGold DSUs. For additional information on NovaGold DSUs, please refer to note 9 in our November 30, 2021 audited consolidated financial statements. Upon the exercise of all the forgoing convertible securities, the Company would be required to issue an aggregate of 13,939,591 common shares.

Financial instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities. The fair value of the financial instruments approximates their carrying value due to the short-term nature of their maturity. Our financial instruments initially measured at fair value and then held at amortized cost include cash and cash equivalents, accounts receivable, deposits, and accounts payable and accrued liabilities.

(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, 2021 is limited to Canadian dollar balances consisting of cash of CDN$247,000, accounts receivable of CDN$23,000 and certain trade payables and accrued personnel costs CDN$946,000. 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 $53,000.

(b) Credit risk

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

(c) Liquidity risk

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

(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, 2021, a 1% change in interest rates would result in a change in net loss of $160, 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

There were no new accounting pronouncements requiring management consideration during fiscal 2021.

Critical accounting estimates

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

Impairment of Investment in Ambler Metals LLC

Management assesses the possibility of impairment in the carrying value of its equity method investment in Ambler Metals whenever events or circumstances indicate that the carrying amount of the investment may not be recoverable. Significant judgments are made in assessing the possibility of impairment. Factors that may be indicative of an impairment include a loss in the value of an investment that is not temporary. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, sustained losses by the investment, the absence of the ability to recover the carrying amount of the investment, significant changes in the legal, business or regulatory environment, significant adverse changes impacting the investee and internal reporting indicating the economic performance of an investment is, or will be, worse than expected.

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

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

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

Stock-based compensation

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

Disclosure controls and procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted by the Company under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, including providing reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to permit timely decisions regarding public disclosure. Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) of the US Exchange Act and the rules of Canadian Securities Administrators, as at November 30, 2021. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as at November 30, 2021.

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, 2021, 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 11, 2022 available on SEDAR at www.sedar.com and EDGAR at www.sec.gov and on our website at www.trilogymetals.com.

Additional information

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

Cautionary notes

Forward-looking statements

This Management's Discussion and Analysis contains "forward-looking information" and "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable securities laws. These forward-looking statements may include statements regarding the Company's work programs and budgets; perceived merit of properties, exploration results and budgets, the Company and Ambler Metals's funding requirements, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, statements regarding Ambler Metals' plans and expectations relating to its Upper Kobuk Mineral Projects, sufficiency of the $145 million subscription price to fund the UKMP; impact of COVID-19 on the Company's operations; market prices for precious and base metals; statements regarding the Ambler Road Project; or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, as well as on a number of material assumptions, which could prove to be significantly incorrect, including about:

- *our ability to achieve production at the Upper Kobuk Mineral Projects;*
- *the accuracy of our mineral resource and reserve estimates;*
- *the results, costs and timing of future exploration drilling and engineering;*
- *timing and receipt of approvals, consents and permits under applicable legislation;*
- *the adequacy of our financial resources;*
- *the receipt of third party contractual, regulatory and governmental approvals for the exploration, development, construction and production of our properties and any litigation or challenges to such approvals;*
- *our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- *continued good relationships with South32, our joint venture partner, as well as local communities and other stakeholders;*
- *there being no significant disruptions affecting operations, whether relating to labor, supply, power damage to equipment or other matter;*
- *expected trends and specific assumptions regarding metal prices and currency exchange rates;*
- *the potential impact of the novel coronavirus (COVID-19); and*

- *prices for and availability of fuel, electricity, parts and equipment and other key supplies remaining consistent with current levels.*

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

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- *risks related to the COVID-19 pandemic;*
- *risks related to inability to define proven and probable reserves;*
- *risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- *uncertainty as to whether there will ever be production at the Company's mineral exploration and development properties;*
- *risks related to our ability to commence production and generate material revenues or obtain adequate financing for our planned exploration and development activities;*
- *risks related to lack of infrastructure including but not limited to the risk whether or not the Ambler Mining District Industrial Access Project, or AMDIAP, will receive the requisite permits and, if it does, whether the Alaska Industrial Development and Export Authority will build the AMDIAP;*
- *risks related to inclement weather which may delay or hinder exploration activities at our mineral properties;*
- *risks related to our dependence on a third party for the development of our projects;*
- *none of the Company's mineral properties are in production or are under development;*
- *commodity price fluctuations;*
- *uncertainty related to title to our mineral properties;*
- *our history of losses and expectation of future losses;*
- *risks related to increases in demand for equipment, skilled labor and services needed for exploration and*

  development of mineral properties, and related cost increases;
- *uncertainties relating to the assumptions underlying our resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*
- *uncertainty related to inferred mineral resources;*
- *mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production;*

- *risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;*

- *risks related to governmental regulation and permits, including environmental regulation, including the risk that more stringent requirements or standards may be adopted or applied due to circumstances unrelated to the Company and outside of our control;*

- *the risk that permits and governmental approvals necessary to develop and operate mines at our mineral properties will not be available on a timely basis or at all;*

- *risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;*

- *risks related to the acquisition and integration of operations or projects;*

- *our need to attract and retain qualified management and technical personnel;*

- *risks related to conflicts of interests of some of our directors and officers;*

- *risks related to potential future litigation;*

- *risks related to market events and general economic conditions;*

- *risks related to future sales or issuances of equity securities decreasing the value of existing Trilogy common shares, diluting voting power and reducing future earnings per share;*

- *risks related to the voting power of our major shareholders and the impact that a sale by such shareholders may have on our share price;*

- *uncertainty as to the volatility in the price of the Company's common shares;*

- *the Company's expectation of not paying cash dividends;*

- *adverse federal income tax consequences for U.S. shareholders should the Company be a passive foreign investment company;*

- *risks related to global climate change;*

- *risks related to adverse publicity from non-governmental organizations;*

- *uncertainty as to our ability to maintain the adequacy of internal control over financial reporting as per the requirements of Section 404 of the Sarbanes-Oxley Act; and*

- *increased regulatory compliance costs, associated with rules and regulations promulgated by the United States Securities and Exchange Commission, Canadian Securities Administrators, the NYSE American, the Toronto Stock Exchange, and the Financial Accounting Standards Boards, and more specifically, our efforts to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.*

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in Trilogy's Form 10-K dated February 11, 2022, 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.