



Trilogy Metals Inc.
(formerly known as NovaCopper Inc.)

Management's Discussion & Analysis
For the Third Quarter Ended August 31, 2016
(expressed in US dollars)

Table of Contents

Management's Discussion and Analysis	1
General	1
Description of business.....	1
Recent activities.....	1
Property review	2
Summary of results.....	3
Selected financial data.....	4
Liquidity and capital resources	5
Contractual obligations.....	5
Off-balance sheet arrangements	5
Outstanding share data	5
Financial instruments	6
Accounting standards adopted.....	7
Recent accounting pronouncements.....	7
Critical accounting estimates.....	7
Disclosure controls and procedures	8
Internal control over financial reporting	8
Changes in internal control over financial reporting	8
Risk factors	8
Additional information	9
Cautionary notes	9

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., formerly NovaCopper Inc., ("Trilogy", "the Company") is dated October 6, 2016 and provides an analysis of our unaudited interim financial results for the quarter ended August 31, 2016.

The following information should be read in conjunction with our August 31, 2016 unaudited interim consolidated financial statements and related notes which were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The MD&A should also be read in conjunction with our audited consolidated financial statements and related notes for the year ended November 30, 2015. A summary of our accounting policies are 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, references to "U.S. dollars", "\$" or "US\$" are to the currency of the United States and references to "Colombian pesos" or "COP" are to the currency of the Republic of Colombia.

Erin Workman, P.Geo., an employee and Director, Technical Services, 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-MKT 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. NovaCopper Inc. changed its name to Trilogy Metals Inc. on September 1, 2016.

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 Alaskan operations through a wholly-owned subsidiary, NovaCopper US Inc. ("NovaCopper US"), doing business as Trilogy Metals US. Our Upper Kobuk Mineral Projects, or UKMP, which we consider to be our material properties, consist of: i) the 100% owned Ambler lands which host the Arctic copper-zinc-lead-gold-silver 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. We also previously owned, through wholly-owned subsidiaries, a 100% interest in the Titiribi gold-copper exploration project in Colombia.

Recent activities

Name Change

In September 2016, we changed our name to Trilogy Metals Inc. to better reflect our Company's naturally diversified resource base. The UKMP is located in the Ambler mining district in northwest Alaska; a region known to host deposits rich in copper, zinc, lead, gold and silver. The Company controls the mineral rights to approximately 353,000 acres of land containing two known mineral belts, the Ambler Schist Belt and the Bornite Carbonate Sequence. The Ambler Schist Belt hosts volcanogenic massive sulphide ("VMS") type mineralization occurring as a series of high-grade polymetallic copper-lead-zinc-gold-silver deposits along the entire 100 kilometer (70 mile) long belt. The Bornite Carbonate Sequence hosts several copper replacement targets around the Aurora and Pardner Hill prospects, in addition to an established resource identified at Bornite. Mineralization at Bornite is open to further exploration. The shareholders had previously voted in favour of the change of the Company's name to Trilogy at our annual and special meeting of shareholders held on May 18, 2016.

Upper Kobuk Mineral Projects

In early August 2016, we wrapped up another successful season advancing the Arctic deposit towards pre-feasibility. The majority of the 2016 project budget of \$5.5 million was spent completing a 3,058 metre drill program at the Arctic Project to support geotechnical, hydrological, waste rock characterization and metallurgical studies, as well as resource definition. Substantial field work was also completed to support the continuation of baseline environmental data collection. During the course of the field season, data collection was completed to support an aquatic survey, an avian and large mammal habitat survey, an archaeological survey and expansion of the wetlands delineation and surface quality work. The remaining thirty percent of the LiDAR survey (used to obtain high resolution topographic data) over the UKMP, initiated during the last field season, was completed. The site investigation work completed in 2016 will form the basis for the completion of studies this fall and a future pre-feasibility study on the Arctic deposit. Drill assay results are expected to be released during the fall of 2016.

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

Sale of Sunward Investments Ltd.

On September 1, 2016, Trilogy closed the sale of all of the issued and outstanding shares of Sunward Investments Ltd. ("Sunward Investments") to Brazil Resources Inc. ("BRI") for consideration of 5,000,000 common shares of BRI, of which 2,500,000 common shares are subject to a six month holding period, and 1,000,000 BRI warrants, with each warrant exercisable into one common share of BRI for a period of two years from the closing date at an exercise price of Cdn\$3.50 for total consideration valued at approximately \$8.1 million. Sunward Investments, through a subsidiary, owns 100% of the Titiribi gold-copper exploration project located approximately 70 kilometers southwest of the city of Medellin, in Antioquia Department, Colombia. Trilogy acquired Sunward Investments and the Titiribi project as part of its acquisition of Sunward in a business combination which closed on June 19, 2015.

The Company reclassified the net assets of Sunward Investments as an asset held for sale and its operations as a discontinued operation, retrospectively, in its third quarter financial statements. The Company expects to realize a gain on the sale of approximately \$4.4 million in the fourth quarter of 2016.

Property review

Our principal assets, the UKMP, are located in the Ambler mining district in Northwest Alaska. The UKMP comprises approximately 352,943 acres (142,831 hectares) of mineral rights covering 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 targets within a 100 kilometer long VMS belt, are owned by NovaCopper US. The Ambler lands are located in Northwestern Alaska and consist of 112,058 acres (45,348 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. As a result of the spin-out of Trilogy from NovaGold Resources Inc. ("NovaGold") in 2012, the consolidated financial statements have been presented under the continuity of interest basis of accounting whereby property acquisition amounts are based on the amounts originally recorded by NovaGold as if we had held the property from inception.

Bornite Project

On October 19, 2011, NovaCopper US and NANA signed a collaborative agreement to explore and develop the Ambler mining district. Under the Exploration Agreement and Option to Lease (the "NANA Agreement"), NovaCopper US acquired 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 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 352,900 acres (142,831 hectares).

As consideration, Trilogy paid \$4.0 million to NANA upon signing the NANA agreement and gave NANA the right to appoint a member to Trilogy's board of directors before April 2017. NANA has not exercised its right to appoint a board member at this time. 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 Trilogy has 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 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.

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

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.

Titiribi Project

On June 19, 2015, Trilogy completed an arrangement to acquire Sunward Resources Ltd. ("Sunward"). As a result, Trilogy, through wholly-owned subsidiaries, owned 100% of the Titiribi gold-copper exploration project located approximately 70 kilometers southwest of the city of Medellin, in Antioquia Department, Colombia. The Titiribi project's principal mining title is concession 5085, which was created by the consolidation of five concessions and four exploration licenses. This concession, comprising of an area of 3,919 hectares, was registered with the National Mining Registry on April 18, 2013 and expires in 2043.

Following the announcement of the sale of Sunward Investments (see "Recent Developments – Sale of Sunward Investments Ltd."), and its ownership of the Titiribi project, we have accounted for it as an asset held for sale and a discontinued operation. The results below have been adjusted retrospectively for the treatment as a discontinued operation.

Summary of results

Selected financial results	<i>in thousands of dollars, except for per share amounts</i>			
	Three months ended August 31, 2016 \$	Three months ended August 31, 2015 \$	Nine months ended August 31, 2016 \$	Nine months ended August 31, 2015 \$
Amortization	17	32	59	268
General and administrative	311	297	1,030	1,059
Mineral properties expense	3,077	2,771	4,067	3,389
Professional fees	84	334	430	1,180
Salaries	250	281	719	750
Salaries – stock-based compensation	146	211	544	582
Loss from continued operations for the period	3,902	3,964	6,885	7,244
Loss from discontinued operations for the period	353	198	712	198
Loss and comprehensive loss for the period	4,255	4,162	7,597	7,442
Basic and diluted loss per common share	\$0.04	\$0.04	\$0.07	\$0.10

For the three months ended August 31, 2016, Trilogy reported a net loss of \$4.3 million (or \$0.04 basic and diluted loss per common share) compared to a net loss of \$4.2 million for the corresponding period in 2015 (or \$0.04 basic and diluted loss per common share). For the three months ended August 31, 2016, Trilogy reported a net loss from continuing operations of \$3.9 million compared to a net loss of \$4.0 million for the corresponding period in 2015. This variance was primarily due to a decrease in professional fees offset by an increase in mineral properties expense. We incurred \$0.1 million in professional fees for the three months ended August 31, 2016 compared to \$0.3 million for the three months ended August 31, 2015. The significant decrease in professional fees in 2016 is related to the one time transaction costs of \$0.6 million incurred in 2015 for the acquisition of Sunward which was accounted for as a business combination. Additional professional fees of \$0.1 million related to the sale of Sunward Investments are included in the loss from discontinued operations for the three months ended August 31, 2016. We incurred \$3.1 million in mineral properties expense for the three months ended August 31, 2016 compared to \$2.8 million for the three months ended August 31, 2015. The increase in mineral property expenses in 2016 is related to higher mining claim maintenance fees, additional environmental field programs conducted during the 2016 program and temporary geology consultants hired for the UKMP.

For the nine months ended August 31, 2016, Trilogy reported a net loss of \$7.6 million (or \$0.07 basic and diluted loss per common share) which was commensurate with the net loss of \$7.4 million incurred for the corresponding period in 2015 (or \$0.10 basic and diluted loss per common share). For the nine months ended August 31, 2016, Trilogy reported a net loss from continued operations of \$6.9 million compared to a net loss of \$7.2 million for the corresponding period in 2015. The increase in mineral property expenses of \$0.7 million was offset by a decrease in professional fees of \$0.8 million and amortization of

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

\$0.2 million. The increase in mineral property expenses to \$4.1 million in 2016 compared to \$3.4 million in 2015 was attributed to higher costs incurred at the UKMP of \$0.2 million for additional environmental studies, \$0.1 million for waste characterization and geotechnical work, and \$0.1 million in higher claim fees and \$0.1 million in additional consultants and personnel costs. The reduction of \$0.8 million in professional fees was due to transaction costs incurred of \$0.6 million in 2015 for the Sunward acquisition offset against higher professional fees incurred in 2016 for other corporate matters. Amortization expense decreased due to the timing of capital asset purchases. The increase in loss from discontinued operations from \$0.2 million for the nine months ended August 31, 2015 to \$0.7 million for the nine months ended August 31, 2016 is mainly related to the timing of the acquisition of the Titiribi project in June 2015. In 2016, there were nine months of mineral property expenses incurred compared to two months in the earlier period. Additionally, \$0.1 million in professional fees were incurred in 2016 related to the sale of Sunward Investments which forms part of the loss from discontinued operations.

Other differences in the nine months ended August 31, 2016 compared to the nine months ended August 31, 2015 resulted from a decrease in salaries, stock-based compensation and general and administrative expenses offset by an increase in the activity level of investor relations. The decrease in salaries, stock-based compensation and general and administrative expenses was due mainly to continued favorable foreign exchange rates of the U.S. dollar against the Canadian dollar in 2016 compared to the first nine months of 2015. The majority of these expenses are incurred in Canadian dollars. The increase in investor relations of \$0.1 million was due to increased marketing activity and conference attendance by Trilogy.

Selected financial data

Quarterly information

*in thousands of dollars,
except per share amounts*

	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
	05/31/16	05/31/16	02/29/16	11/30/15	08/31/15	05/31/15	02/28/15	11/30/14
	\$	\$	\$	\$	\$	\$	\$	\$
Interest and other income	16	18	18	12	8	4	-	-
Mineral property expenses	3,077	458	532	779	2,771	291	327	596
Loss from discontinued operations for the period	(353)	(187)	(172)	(200)	(198)	-	-	-
Loss for the period	(4,255)	(1,648)	(1,695)	(2,090)	(4,162)	(1,750)	(1,530)	(2,029)
Loss per common share – basic and diluted	(0.04)	(0.01)	(\$0.02)	(0.02)	(0.04)	(0.03)	(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 acquisition of Sunward in Q3 2015 as well as the reclassification of Sunward Investments as a discontinued operation in Q3 2016. Prior periods have been restated for the reclassification of Sunward Investments to a discontinued operation in the third quarter of 2016.

During the fourth quarter of 2014, we incurred \$0.6 million of mineral property expenses mainly related to assaying costs incurred for the 2014 re-logging program.

During the first quarter of 2015, we incurred mineral property expense of \$0.3 million mainly on community support and project staff salaries as our field season did not commence until early in the third quarter. During the second quarter of 2015, we incurred \$0.3 million in mineral property expenses with a similar level of activities as the first quarter of 2015. We also incurred \$0.7 million in professional fees during the second quarter of 2015 mainly due to the acquisition of Sunward. During the third quarter of 2015, we incurred mineral property expenses of \$2.9 million as we completed our drilling program. Our net loss for the fourth quarter of 2015 of \$2.1 million is increased from the fourth quarter net loss of 2014 of \$2.0 million mainly due to higher mineral property expenses offset by a reduction in stock-based compensation.

During the first quarter of 2016, our net loss was \$1.7 million, which was higher than the net loss of \$1.5 million in the first quarter of 2015. The increase was primarily attributed to higher mineral property expenses for engineering work conducted at UKMP and expenditures incurred for the Titiribi mineral property. During the second quarter of 2016, our net loss was \$1.6 million, which was lower than the net loss of \$1.8 million in the previous second quarter. The decrease was primarily related to lower professional fees incurred offset by higher mineral property expenses at UKMP and the Titiribi property. The professional

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

fees in the second quarter of 2015 included one-time transaction costs related to the Sunward acquisition of \$0.6 million. During the third quarter of 2016, mineral property expenses of \$3.1 million were due to the field program completed during the quarter. Additionally the loss from discontinued operations in the period included a one-time charge of \$0.1 million in professional fees associated with selling of Sunward Investments.

Our properties are not yet in production; consequently, we believe that our loss (and consequent loss per common share) is not a primary focus for investors in the Company.

Liquidity and capital resources

At August 31, 2016, we had \$9.2 million in cash and cash equivalents. We expended \$6.7 million on operating activities during the nine month period ended August 31, 2016, compared with expenditures of \$6.1 million for operating activities for the same period in 2015. The majority of cash spent on operating activities during both periods was expended on mineral property expenses, general and administrative costs and salaries. The increase in cash spent in the nine months ended August 31, 2016 compared to the corresponding period in 2015 was mainly due to higher mineral property expense for environmental and engineering studies conducted for the UKMP and expenditures incurred in Colombia offset by significantly lower professional fees due to the acquisition of Sunward in 2015.

During the nine month periods ended August 31, 2016 and August 31, 2015, we received no cash from financing activities. During the nine month period ended August 31, 2016, we expended \$121,000 on investing activities for acquisition of equipment and \$17,000 during the corresponding nine month period ended August 31, 2015.

As at August 31, 2016, the Company continues to manage its cash expenditures and management believes that the working capital available is sufficient to meet its operational requirements over the next twelve months. Future financings are anticipated through equity offerings, debt financing, sale of investments, convertible debt, or other means, although there can be no assurance that a financing would be available on terms favorable to the Company, or at all.

Contractual obligations

Contractual obligated undiscounted cash flow requirements as at August 31, 2016 are as follows.

*in thousands of dollars,
unless otherwise specified*

	Total \$	< 1 Year \$	1–3 Years \$	3–5 Years \$	> 5 Years \$
Accounts payable and accrued liabilities	840	840	-	-	-
Office lease	126	50	76	-	-
Total	966	890	76	-	-

On January 25, 2013, we entered into a commitment to lease office space effective May 1, 2013 for a period of four years with a remaining total commitment as at August 31, 2016 of \$0.1 million. As part of the acquisition of Sunward, we assumed an office lease in Vancouver, expiring on February 28, 2017 with a remaining commitment of \$0.03 million.

Off-balance sheet arrangements

We have no material off-balance sheet arrangements. The Company has lease commitments for office spaces with a remaining total commitment of \$0.12 million.

Outstanding share data

At October 6, 2016, we had 105,271,984 common shares issued and outstanding. At October 6, 2016, we had outstanding 6,521,740 warrants with an exercise price of \$1.60 each, 6,185,027 stock options with a weighted-average exercise price of \$0.52, 925,390 DSUs, 400,001 RSUs, 324,820 NovaGold Arrangement Options with a weighted-average exercise price of \$4.38, and 20,685 NovaGold DSUs (equivalent to 3,448 common shares) for which the holder is entitled to receive one common share for every six NovaGold shares received. For additional information on NovaGold Arrangement Options and NovaGold DSUs,

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

please refer to note 7 in our August 31, 2016 interim consolidated financial statements. Upon the exercise of all of the forgoing convertible securities, the Company would be required to issue an aggregate of 14,356,978 common shares.

Financial instruments

Our financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk. Our financial instruments consist of cash and cash equivalents, short term investments, accounts receivable, deposits, and accounts payable and accrued liabilities. Our instruments are held in the normal course to meet daily operating and cash flow needs of the business. The fair value of the Company's financial instruments approximates their carrying value due to the short-term nature of their maturity. All of our financial instruments are initially measured at fair value and then held at amortized cost.

(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, Canada, and, until September 1, 2016, in Colombia with some expenses incurred in Canadian dollars and Colombian pesos. The Company's exposure to the Canadian dollar is limited to cash of CDN\$272,000, accounts receivable of CDN\$33,000, deposits and prepaid amounts of CDN\$147,000 and accounts payable of CDN\$248,000. 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 \$15,000. The Company's exposure to the Colombian peso is limited to cash of COP 222 million, deposit and prepaid amounts of COP 121 million, and accounts payable of COP 37 million. Based on a 10% change in the US-COP exchange rate, assuming all other variables remain constant, the Company's net loss would change by approximately \$10,000. The Company has no exposure to the Colombian peso following the closing of the sale of Sunward Investments on September 1, 2016.

(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 and short term investments with Canadian Chartered financial institutions and a Colombian financial institution. The Company's accounts receivable consist 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. The Company does not have cash inflows from operations; therefore, the Company manages liquidity risk through the management of our capital structure and financial leverage. Future financings may be obtained through debt financing, equity financing, sale of investments, convertible debt, exercise of options, or other means. Continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. Our contractually obligated cash flow is disclosed under the section titled "Liquidity and capital resources."

(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 August 31, 2016, a 1% change in interest rates would result in a change in net loss of \$0.09 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 our economic viability could be affected by commodity price volatility.

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

Accounting standards adopted

Development stage entity

In June 2014, the FASB issued "Development Stage Entities – Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation" ("ASU 2014-10"). ASU 2014-10 eliminates the concept of a development stage entity, of which Trilogy had been classified. Upon adoption, certain financial reporting disclosures have been eliminated including the presentation of an inception-to-date statement of income and cash flow. ASU 2014-10 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company adopted this standard as of December 1, 2015. As a result of adopting the standard, we no longer include the cumulative during exploration stage column previously presented on our statement of loss and comprehensive loss and statement of cash flows.

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"). This will result in most leases being capitalized as a right of use asset with a related liability on our 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 fiscal 2020. We are in the process of analyzing the impact of this guidance on our results of operations and financial position.

ii. Stock-based compensation

In March 2016, the FASB issued new guidance simplifying the accounting for stock-based compensation transactions, including income tax consequences, classification of awards as equity or liabilities, forfeitures, and classification on the statement of cash flows ("ASU 2016-09"). This update is effective for annual reporting periods beginning after December 15, 2016, and early adoption is permitted. We are in the process of analyzing the impact of this guidance on our results of operations, financial position, and disclosures.

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.

Mineral properties and development costs

All direct costs related to the acquisition of mineral property interests are capitalized. 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 title to its mining assets is 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 its long-lived assets whenever events or circumstances indicate that the carrying amounts of the asset or asset group may not be recoverable. Significant estimates 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

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

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, Canada and Colombia. 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 Administration, as at August 31, 2016. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective.

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 August 31, 2016, the Company's internal control over financial reporting was effective.

Changes in internal control over financial reporting

There have been no changes in our internal controls over financial reporting during the three month period ended August 31, 2016, which have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. We continue to evaluate our internal control over financial reporting on an ongoing basis to identify improvements.

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

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

under the heading "Risk Factors" under Trilogy's Form 10-K dated February 5, 2016, 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 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, including the Company's plans and expectations relating to its Upper Kobuk Mineral Projects, 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.

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 a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- *assumptions made in the interpretation of drill results, and of the geology, grade and continuity of the Company's mineral deposits;*
- *our ability to achieve production at any of the Company's mineral exploration and development properties;*
- *our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;*
- *assumptions that all necessary permits and governmental approvals will be obtained;*
- *estimated capital costs, operating costs, production and economic returns;*
- *estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company's resource and reserve estimates;*
- *continued good relationships with local communities and other stakeholders;*
- *our expectations regarding demand for equipment, skilled labour and services needed for exploration and development of mineral properties;*
- *assumptions regarding the merit of litigation; and*
- *that our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.*

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 Company's ability to finance its planned exploration activities at its mineral properties or to complete further exploration programs;*

Trilogy Metals Inc.

Management's Discussion & Analysis

(expressed in US dollars)

- *risks related to the Company's ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;*
- *risks related to the inability to define proven and probable reserves and the year that none of the Company's mineral properties are in production or under development;*
- *uncertainties relating to the assumptions underlying the Company's resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*
- *risks related to uncertainty of whether there will ever be production at the Company's mineral exploration and development properties;*
- *risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;*
- *risks related to lack of infrastructure, specifically a lack of road access to the UKMP site;*
- *risks related to commodity price fluctuations;*
- *risks related to market events and general economic conditions;*
- *uncertainty of estimates of capital costs, operating costs, production and economic returns;*
- *risks related to inclement weather which may delay or hinder exploration activities at its mineral properties;*
- *the Company's history of losses and expectation of future losses;*
- *risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;*
- *uncertainty related to inferred mineral resources;*
- *risks related to the third parties on which the Company depends for its exploration and development activities;*
- *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;*
- *credit, liquidity, interest rate and currency risks;*
- *uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights;*
- *risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;*
- *the risk that permits and governmental approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis or at all;*
- *risks related to governmental regulation and permits, including environmental regulation, including the risk that more stringent requirements or standards may be adopted or applied;*
- *risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto;*
- *uncertainty related to title to the Company's mineral properties;*
- *risks related to competition in the acquisition of mineral properties;*
- *risks inherent in the acquisition of new properties including unknown liabilities;*
- *the Company's need to attract and retain qualified management and technical personnel;*
- *risks related to conflicts of interests of some of the directors of the Company;*
- *risks related to potential future litigation;*
- *risks related to global climate change;*
- *risks related to adverse publicity from non-governmental organizations;*
- *risks related to future sales or issuances of equity securities decreasing the value of existing common shares, diluting voting power and reducing future earnings per share;*
- *uncertainty as to the volatility in the price of the Company's 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 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 Company's ability to maintain the adequacy of internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act; and*
- *increased regulatory compliance costs relating to the Dodd-Frank 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,

Trilogy Metals Inc. Management's Discussion & Analysis (expressed in US dollars)

uncertainties and other factors, including, without limitation, those referred to in Trilogy's Form 10-K dated February 5, 2016, filed with the Canadian securities regulatory authorities and the United States Securities and Exchange Commission (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. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. 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.