



Trilogy Metals Inc.
(formerly NovaCopper Inc.)

Management's Discussion & Analysis
For the Third Quarter Ended August 31, 2017
(expressed in US dollars)

Table of Contents

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

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion and Analysis
(expressed in US dollars)

General

This Management's Discussion and Analysis ("MD&A") of Trilogy Metals Inc. ("Trilogy", "Trilogy Metals", "the Company" or "we") is dated October 4, 2017 and provides an analysis of our unaudited interim financial results for the quarter ended August 31, 2017 compared to the quarter ended August 31, 2016.

The following information should be read in conjunction with our August 31, 2017 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, 2016. A summary of the U.S. GAAP accounting policies are outlined in note 2 of the audited consolidated financial statements and note 2 of the interim consolidated financial statements. All amounts are in United States dollars unless otherwise stated. References to "Canadian dollars" and "C\$" and "CDN\$" are to the currency of Canada and references to "U.S. dollars", "\$" or "US\$" are to the currency of the United States.

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

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

Description of business

We are a base metals exploration company focused on exploring and developing our mineral holdings in the Ambler mining district located in Alaska, U.S.A. We conduct our operations through a wholly-owned subsidiary, NovaCopper US Inc. which is doing business as Trilogy Metals US ("Trilogy Metals US"). Our Upper Kobuk Mineral Projects, ("UKMP" or "UKMP Projects"), consist of: i) the 100% owned Ambler lands which host the Arctic copper-zinc-lead-gold-silver Project (the "Arctic Project"); and ii) the Bornite lands being explored under a collaborative long-term agreement with NANA Regional Corporation, Inc. ("NANA"), a regional Alaska Native Corporation, which host the Bornite carbonate-hosted copper Project (the "Bornite Project").

Project activities

The focus of this third fiscal quarter has been working to advance our projects. With a combined 2017 budget of \$17.1 million for the Bornite and Arctic Projects, this quarter was busy at our remote project sites in northwest Alaska.

Bornite Project

We are currently executing a \$10 million exploration program at the Bornite Project, funded by South32 Group Operations Pty Ltd., a subsidiary of South32 Limited (ASX/JSE/LSE: S32), ("South32") under an Option Agreement on the UKMP entered into on April 10, 2017 ("Option Agreement"). The focus of this year's program is to target high-grade copper mineralization north and east of the previously identified resources which were last drilled by us in 2013 and to define the edges of the mineralized system. This year's exploration at Bornite was approved by a joint Trilogy-South32 Technical Committee.

Under the terms of the Option Agreement, Trilogy Metals US granted South32 the right to form a 50/50 joint venture to hold all of the Company's Alaskan assets currently held directly by Trilogy Metals US. Upon exercise of the option, Trilogy Metals US will transfer its Alaskan assets, including the UKMP, and South32 will contribute a minimum of \$150 million, subject to certain adjustments, to a newly formed and jointly held, limited liability company.

To maintain the option in good standing, South32 is required to fund a minimum of \$10 million per year for up to a three year period, which funds will be used to execute a mutually agreed upon program at the UKMP. South32 may exercise its option at any time over the next three years to enter into the 50/50 joint venture. Provided that all the exploration data and information has been made available to South32 by no later than December 31 of each year, South32 must decide by the end of January of the following year whether: (i) to fund a further tranche of a minimum of \$10 million, or (ii) to withdraw and not provide any

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

further annual funding. If the election to fund a further tranche is not made in January, South32 has until the end of March to exercise the option to form the LLC and make the subscription payment.

This year's exploration program at Bornite is one of the larger programs in the history of drilling at the Bornite Project. With an approved budget of \$10 million, we will be drilling approximately 9,000 meters at Bornite this field season to test the extension of the mineralization from the drill holes from our 2013 drill campaign along with a ground gravity survey, continuation of hydrology data collection and initiating metallurgy and acid based accounting for Bornite.

Drilling at the Bornite Project began in early June and is expected to be finished in early October with results released throughout the fall. We completed 6,037 meters by August 31, 2017 and released our first results on September 18, 2017 from the first three holes comprising 3,083 meters.

Arctic Project

In early June 2017, we announced the engagement of Ausenco Engineering Canada Inc. to prepare the Arctic Project PFS technical report anticipated to be complete in Q1 2018. The Company has also engaged Amec Foster Wheeler to complete mine planning and SRK Consulting (Canada) Inc. to complete tailings and waste design, hydrology and environmental studies.

The summer field program for the Arctic Project PFS was conducted in July with the completion of 257 meters of geotechnical drilling and 26 test pits completed to determine site facility locations and mine design. We also completed geophysical ground surveys to evaluate ground conditions. We continued our environmental baseline program through the summer of 2017 which includes baseline data collection on aquatic and avian resources, ongoing water quality, hydrology and meteorology. The water quality program was expanded in 2017 to include additional sample locations and increased sample frequency.

The results from this summer's field program are currently being compiled and analyzed by the PFS consultants. The timing of the field program will provide the information required for completion of the PFS anticipated to be in Q1 2018.

We also completed 455 meters of infill drilling at Arctic in late August collecting core to provide two tonnes of material for an ore-sorting study to be initiated in Q4 2017.

Outlook

Our 2017 program has a total budget of \$17.1 million with \$7.1 million to be expended during the fiscal year to advance the Arctic Project to pre-feasibility and \$10.0 million for the exploration program at the Bornite Project. The Arctic Project PFS will be supported by information collected during the 2015 - 2017 field seasons. The completion of our 2017 field program has completed a staged three-year site investigation program where the first two years focused almost exclusively on collecting data in and around the proposed Arctic open-pit, and the third year focused on infrastructure and mine design. The Arctic Project PFS is anticipated to be completed in Q1 2018.

The exploration program at the Bornite Project is an opportunity to potentially expand the size of the Bornite deposit by drilling the extensions of mineralization last drilled by the Company in 2013. Approximately 9,000 meters will be drilled at Bornite which drilling will be focused entirely on testing the size and depth of the extension of the known deposit. Drilling at the Bornite Project commenced in early June and will continue through to early October with drill results anticipated to be released through the fall. Initial drill results were released on September 18, 2017 on the first three drill holes.

Property review

Our principal assets, the UKMP Projects, are located in the Ambler mining district in Northwest Alaska. Our UKMP Projects comprise approximately 355,385 acres (143,819 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 targets within a 100 kilometer long volcanogenic massive sulfide ("VMS") belt, are owned by Trilogy Metals

Trilogy Metals Inc.
 (An Exploration-Stage Company)
Management's Discussion & Analysis
 (expressed in US dollars)

US. The Ambler lands are located in Northwestern Alaska and consist of 114,500 acres (46,337 hectares) of Federal patented mining claims and State of Alaska mining claims, within which VMS mineralization has been found.

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

Bornite Project

On October 19, 2011, Trilogy Metals US and NANA signed a collaborative agreement to explore and develop the Ambler mining district. Under the Exploration Agreement and Option to Lease (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 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 355,385 acres (143,819 hectares).

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

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

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

Summary of results

*in thousands of dollars,
except for per share amounts*

Selected expenses	Three months ended		Nine months ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
	\$	\$	\$	\$
Foreign exchange (gain) loss	(592)	3	(542)	8
General and administrative	273	311	1,050	1,030
Mineral properties expense	8,471	3,077	10,407	4,067
Professional fees	86	84	404	430
Salaries	218	250	683	719
Salaries – stock-based compensation	104	146	603	544
Unrealized loss on held for trading investments	83	-	1,252	-
Loss from continuing operations for the period	8,992	3,902	14,378	6,885
Loss from discontinued operations for the period	-	353	-	712
Loss and comprehensive loss for the period	8,992	4,255	14,378	7,597
Basic and diluted loss per common share	\$0.09	\$0.04	\$0.14	\$0.07

For the three months ended August 31, 2017, Trilogy reported a net loss of \$9.0 million (or \$0.09 basic and diluted loss per common share) compared to a net loss of \$4.3 million for the corresponding period in 2016 (or \$0.04 basic and diluted loss per common share). This variance of \$4.7 million was primarily due to the size of the field programs at the UKMP in 2017 as well as the timing of the program. An increase of \$5.4 million in mineral property expenses incurred during the three months ended August 31, 2017 compared to the three months ended August 31, 2016 accounted for the increase in its entirety. The 2017 program consists of a \$10.0 million exploration program at the Bornite Project, funded by South32, and a \$7.1 million program

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

towards completing a pre-feasibility study at the Arctic Project expected to be completed in Q1 2018. Comparably, in 2016, the field program consisted of a drill program at Arctic to prepare the project for pre-feasibility work. The field program in 2017 began in late May and continued through the third quarter. In 2016, the field program consisted of a 45-day program that wrapped up in late July. The increase in the mineral property expenses is due to the size and variety of the programs being undertaken. The increase was offset by slight decreases in general and administrative, salaries and stock-based compensation expense during the three months ended August 31, 2017 compared to the three months ended August 31, 2016.

Trilogy recognized a gain on foreign exchange during the three months ended August 31, 2017 of \$0.6 million due to the appreciation of the Canadian dollar in the current fiscal year. We were holding a higher average volume of cash and cash equivalents in Canadian dollars during the third quarter of 2017 mainly due to the sale of investments which consist of shares in Gold Mining Inc. ("GMI"). The investments are also denominated in Canadian dollars and benefited from the appreciation of the Canadian dollar in the third quarter. We acquired the investments on September 1, 2016 as consideration for the sale of Sunward Investments Limited ("Sunward") and its Titiribi gold-copper exploration project in Colombia. As such, a comparable foreign currency movement did not exist in the third quarter of 2016. There was also a loss from discontinued operations of \$0.4 million for the three months ended August 31, 2016 which relates to the sale of Sunward. There is no comparable amount in the current fiscal year as the sale was completed on September 1, 2016. Other minor differences noted for the comparable periods were i) a small decrease in general and administrative expenses; ii) a small decrease in salaries due to lower level of staff in the third quarter of 2017 compared to 2016; and iii) a small decrease in stock-based compensation due to the timing of the amortization of expense.

The basic and diluted loss per common share of \$0.09 for the three months ended August 31, 2017 increased from the basic and diluted loss per common share of \$0.04 for the three months ended August 31, 2016 due to the increased loss as described above.

For the nine months ended August 31, 2017, Trilogy reported a net loss of \$14.4 million (or \$0.14 basic and diluted loss per common share) compared to a net loss of \$7.6 million for the corresponding period in 2016 (or \$0.07 basic and diluted loss per common share). The increase in net loss is primarily due to an increase in mineral property expense of \$6.3 million from \$4.1 million for the nine months ended August 31, 2016 to \$10.4 million for the nine months ended August 31, 2017. Similarly to the variance in the three-month periods, the field program being executed in 2017 is significantly larger and more varied than the field program completed in 2016. The variance is also due to an unrealized loss on investments on the GMI securities of \$1.3 million classified as held for trading for which changes in the fair value of the investments are recorded through the statement of loss. There are no comparable amounts for the nine months ended August 31, 2016 as the Company acquired the investments in September 2016.

Trilogy recognized a gain on foreign exchange during the nine months ended August 31, 2017 of \$0.5 million due to the appreciation of the Canadian dollar in the current quarter as well as the volume of funds held in Canadian dollars. There is no comparable amount in 2016 due to the timing of acquiring the GMI investments. Additionally, there was a loss from discontinued operations of \$0.7 million for the nine months ended August 31, 2016 from the operations of Sunward for which there is no comparable amount in 2017. Other minor differences noted for the comparable periods were i) a small increase in general and administrative expenses; ii) a small decrease in professional fees due to a lower level of corporate activity compared to 2016, iii) a small decrease in salaries due to lower level of staff in the third quarter of 2017 compared to 2016; and iv) a small increase in stock-based compensation due to increasing Black-Scholes valuations from an increased share price.

The basic and diluted loss per common share of \$0.14 for the nine months ended August 31, 2017 increased from the basic and diluted loss per common share of \$0.07 for the nine months ended August 31, 2016 due to the increased loss as described above.

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

Selected financial data

Quarterly information

*in thousands of dollars,
except per share amounts*

	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
	08/31/17	05/31/17	02/28/17	11/30/16	08/31/16	05/31/16	02/29/16	11/30/15
	\$	\$	\$	\$	\$	\$	\$	\$
Interest and other income	23	12	11	10	16	18	18	12
Mineral property expenses	8,471	1,297	639	970	3,077	458	532	779
Income (loss) from discontinued operations for the period	-	-	-	4,561	(352)	(187)	(172)	(200)
Earnings (loss) for the period	(8,992)	(2,390)	(2,996)	2,736	(4,255)	(1,648)	(1,695)	(2,090)
Earnings (loss) per common share – basic and diluted	(0.09)	(0.02)	(0.03)	0.03	(0.04)	(0.02)	(0.02)	(0.02)

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 and disposition of Sunward and financing activities.

Our net loss for the fourth quarter of 2015 of \$2.1 million consists of \$0.8 million in mineral property expenses incurred for assay costs and engineering studies conducted in the fall as well as \$0.2 million in discontinued operation costs from Sunward.

Our loss for the first quarter ended February 29, 2016 is comparable to typical first quarter losses in that it consists mainly of mineral property expenses relating to engineering studies completed in advance of the 2016 field program. The loss is increased slightly due to costs related to operating Sunward of \$0.2 million when compared to periods when Trilogy did not own Sunward. During the second quarter of 2016, we incurred \$0.5 million in mineral property expenses due to the field season starting up in the last month of the second quarter and \$0.2 million in discontinued operations relating to Sunward. During the third quarter of 2016, we incurred mineral property expenses of \$3.1 million as we completed our drilling program. As a result, our loss for the third quarter ended August 31, 2016 is higher compared to previous quarter losses and consistent with the spending in the third quarter of 2015. We recognized earnings for the fourth quarter of 2016 of \$2.7 million due to the gain on the sale of Sunward. Adjusted for the discontinued operations, the fourth quarter periods are substantially comparable.

Our loss for the first quarter ended February 28, 2017 of \$3.0 million is significantly increased compared to prior quarterly periods due to an unrealized loss on held for trading investments of \$1.2 million. The investments are classified as held for trading and changes in the fair value of the investments are recorded through the statement of loss. Our loss for the second quarter ended May 31, 2017 of \$2.4 million is significantly increased from the comparable period due to a significant increase in the size of our field program resulting in increased mineral property expenses of \$1.3 million. Similarly, our loss for the third quarter ended August 31, 2017 of \$9.0 million is significantly increased from the comparable loss of \$4.3 million in the third quarter ended August 31, 2016 due to the size of the 2017 field program which is more than double the 2016 field program.

Trilogy Metals Inc.
 (An Exploration-Stage Company)
Management's Discussion & Analysis
 (expressed in US dollars)

Liquidity and capital resources

At August 31, 2017, we had \$10.2 million in cash and cash equivalents. We expended \$9.1 million on operating activities during the nine months ended August 31, 2017 compared with \$6.7 million for operating activities for the same period in 2016. The majority of cash spent on operating activities during all periods was expended on mineral property expenses. Other operating expenses consisted of cash spent on general and administrative costs, salaries, professional fees and investor relations. At August 31, 2017, the Company had working capital available of \$11.2 million. As at August 31, 2017, the Company continues to manage its cash expenditures and management believes that the working capital available is sufficient to meet its operational requirements for the next year. Management does expect to monetize its current investments by selling shares of GMI in the next six months to assist in meeting its operational requirements. Future financings are anticipated through the sale of investments, equity financing, the exercise of mineral properties option, convertible debt, or other means.

During the nine months ended August 31, 2017, we received \$10.0 million in funding from South32 for the exploration program at the Bornite Project which is categorized as an investing activity as the funds are being utilized on the UKMP. The Company is responsible for the disbursement of these funds in accordance with the approved program and budget and accordingly has not classified the funds as restricted cash. Funds are transferred to operating accounts on a monthly basis in accordance with the approved budget and working capital needs. As at August 31, 2017, the Company held \$2.7 million in a segregated bank account for spending on the approved year 1 program at the Bornite Project.

During the nine months ended August 31, 2017, we generated \$2.2 million in proceeds from the sale of investments. The proceeds were used for general operating activities. There was no comparable amount from investing activities in 2016 as we acquired the investments in September 2016. Subsequent to quarter-end, we have generated approximately an additional C\$1.0 million in proceeds from the sale of investments.

During the nine months ended August 31, 2017, \$0.1 million was used in financing activities to pay statutory employee withholding taxes on Restricted Share Units that vested. There were no comparable amounts from financing activities in 2016.

Contractual obligations

Contractually obligated cash flow requirements as at August 31, 2017 are as follows.

in thousands of dollars

	Total	< 1 Year	1–2 Years	2–5 Years	Thereafter
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,759	4,759	-	-	-
Office lease	1,349	44	178	580	547
	6,108	4,803	178	580	547

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

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 \$1.3 million.

Outstanding share data

At October 4, 2017, we had 105,674,303 common shares issued and outstanding. At October 4, 2017, we had outstanding 6,521,740 warrants with an exercise price of \$1.60 each, 7,197,500 stock options with a weighted-average exercise price of \$0.56, 1,041,232 DSUs, 600,002 RSUs, and 20,685 NovaGold DSUs 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, please refer to note 6 in our August 31, 2017 interim consolidated financial statements. Upon exercise of all of the forgoing convertible securities, the Company would be required to issue aggregate of 15,363,921 common shares.

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

Financial instruments

Our financial instruments consist of cash and cash equivalents, accounts receivable, deposits, investments, and 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. Our investments are held for trading and are marked-to-market at each period end with changes in fair value recorded to the statement of loss. The South32 purchase option is a derivative financial liability measured at fair value with changes in fair value recorded to the statement of loss.

(a) Currency risk

Currency risk is the risk of a fluctuation in financial asset and liability settlement amounts due to a change in foreign exchange rates. We operate in the United States and Canada. Our exposure to currency risk at August 31, 2017 is limited to Canadian dollar consisting of cash of CDN\$2,596,000, accounts receivable of CDN\$421,000, deposit amounts of CDN\$116,000, investments of CDN\$5,833,000 and accounts payable of CDN\$859,000. Based on a 10% change in the US-Canadian exchange rate, assuming all other variables remain constant, our net loss would change by approximately \$647,000.

(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. We hold cash and cash equivalents with Canadian Chartered financial institutions. Our accounts receivable consist of GST receivable from the Federal Government of Canada and other receivables for recoverable expenses. Our 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 the capital structure and financial leverage. Future financings may be obtained through equity financing, sales 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 "Contractual obligations." Please see further discussion of our liquidity under "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. We are exposed to interest rate risk with respect to interest earned on cash and cash equivalents. Based on balances as at August 31, 2017, a 1% change in interest rates would result in a change in net loss of \$0.1 million, assuming all other variables remain constant.

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

New accounting pronouncements

Certain recent accounting pronouncements have been included under note 2 in our August 31, 2017 unaudited interim consolidated financial statements

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

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, 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. We have taken steps, in accordance with industry standards, to verify the title to mineral properties in which it has an interest. Although we have made efforts to ensure that legal title to 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 judgments are made in assessing the possibility of impairment. Management considers several factors in considering if an indicator of impairment has occurred, including but not limited to, indications of value from external sources, significant changes in the legal, business or regulatory environment, and adverse changes in the use or physical condition of the asset. These factors are subjective and require consideration at each period end. If an indicator of impairment is determined to exist, management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted future cash flows. Management's estimates of mineral prices, mineral resources, foreign exchange rates, production levels and operating capital and reclamation costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset.

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 Exchange Act and the rules of Canadian Securities Administration, as at August 31, 2017. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

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

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

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.

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, 2017, 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 under the heading "Risk Factors" under Trilogy's Form 10-K dated February 2, 2017 which is available on SEDAR at www.sedar.com, 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. Information contained on our website is not incorporated by reference.

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 Canadian securities laws. These forward-looking statements may include statements regarding outlook, 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, the adequacy of the funds paid by South32 under the Option Agreement including pursuant to the exercise of the option to fund the UKMP through to feasibility and permitting of the first mine, the exercise of the option by South32, 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;*

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

- *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 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;*
- *none of the Company's mineral properties are in production or are under development;*
- *uncertainties relating to the assumptions underlying our resource estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;*
- *risks related to lack of infrastructure including but not limited to the risk whether or not the Ambler Mining District Industrial Access Project ("AMDIAF") will receive the requisite permits and, if it does, whether Alaska Industrial Development and Export Authority will build the AMDIAF;*
- *uncertainty as to whether there will ever be production at the Company's mineral exploration and development properties;*
- *uncertainty as to estimates of capital costs, operating costs, production and economic returns;*
- *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 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 market events and general economic conditions;*
- *uncertainty related to inferred mineral resources;*
- *uncertainty related to the economic projections contained herein derived from the Preliminary Economic Assessment titled "Preliminary Economic Assessment Report on the Arctic Project, Ambler Mining District, Northwest Alaska" dated effective September 12, 2013;*
- *risks related to inclement weather which may delay or hinder exploration activities at its mineral properties;*
- *risks and uncertainties relating to the interpretation of drill results, the geology, grade, and continuity of our mineral deposits;*
- *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;*
- *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;*
- *commodity price fluctuations;*
- *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 its control;*
- *risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;*
- *uncertainty related to title to our mineral properties;*
- *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;*
- *our need to attract and retain qualified management and technical personnel;*
- *risks related to conflicts of interests of some of our directors;*
- *risks related to potential future litigation;*

Trilogy Metals Inc.
(An Exploration-Stage Company)
Management's Discussion & Analysis
(expressed in US dollars)

- risks related to the voting power of our major shareholders and the impact that a sale by such shareholders may have on our share price;
- risks related to global climate change;
- risks related to adverse publicity from non-governmental organizations;
- uncertainty as to 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;
- 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 (the "SEC"), Canadian Securities Administrators, the NYSE American, the TSX, and the Financial Accounting Standards Boards, and more specifically, our efforts to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.

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 2, 2017, 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 2014 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 an "inferred mineral resource" has a lower level of confidence than an "indicated mineral resource" and must not be converted to a mineral "reserve". It is reasonably expected that the majority of "inferred mineral resources" could be upgraded to "indicated mineral resources" with continued exploration. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. 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.