



MANAGEMENT'S DISCUSSION & ANALYSIS

3rd Quarter ended March 31, 2015

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 3rd QUARTER ENDED MARCH 31, 2015

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Highland Copper Company Inc. ("Highland" or the "Company"), dated May 26, 2015, covers the 3rd quarter ended March 31, 2015 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the 3rd quarter ended March 31, 2015 (the "March 31, 2015 condensed interim consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended June 30, 2014, including the description of risks and uncertainties, and the audited consolidated financial statements for the years ended June 30, 2014 and 2013. All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS

Highland is a Canadian-based company engaged in the acquisition, exploration and development of mineral properties. The Company's mineral projects are located in Michigan, USA. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. At May 26, 2015, the Company had 129,542,192 common shares issued and outstanding.

The Company has assembled a number of advanced-stage copper projects located in Michigan's Upper Peninsula region, including **Copperwood**, a feasibility stage project, acquired in June 2014 from Orvana Minerals Corp. ("Orvana"), **White Pine North**, acquired in May 2014 from a wholly-owned subsidiary of First Quantum Minerals Ltd. (subject to final closing expected to occur by December 31, 2015) and **Keweenaw**, which includes the 543S and G-2 deposits (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC). The Company has also entered into lease agreements entitling the Company to explore and develop certain other projects.

FINANCIAL CONDITION

At March 31, 2015, the Company had a working capital deficit of \$10.2 million. This amount includes a \$10.0 million refundable deposit to be exchanged for a royalty on all metals from the White Pine North Project on completion of the acquisition of the White Pine project (see details of the \$10.0 million refundable deposit under *Financing Activities* section). The Company requires additional funds to meet all of its obligations, to pursue exploration and development work on its mineral projects, to provide for management and administration expenses for at least the next 12 months, and to ensure the Company's ability to continue as a going concern. Such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing or other arrangements. There can be no assurance that the Company will be able to raise the funds required. If the Company is not successful in raising additional funds and it is not able to complete the acquisition of the White Pine North Project, the Company may not be able to refund the \$10.0 million deposit described above and it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities.

FINANCING ACTIVITIES

Private Placement

In March 2015, the Company completed in three (3) tranches a non brokered private placement for gross proceeds of \$7,602,687 (the "Financing"). A total of 30,410,746 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at \$0.25 per unit. Each Warrant is exercisable for a period of 18 months from the closing at an exercise price of \$0.50 to acquire one common share of the Company. The Company paid finders' fees totaling \$181,250 in connection with this private placement.

Royalty agreements with Osisko

On December 15, 2014, Osisko Gold Royalties Ltd. ("Osisko"), a TSX-listed company, made a \$10.0 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine North Project (the "White Pine North Royalty"). The Osisko deposit is secured against all of the Company's assets. Upon completion of the acquisition of the White Pine North Project, the Osisko deposit will be exchanged for the White Pine North Royalty. In the event the acquisition of the White Pine North Project is not completed by December 31, 2015, the Osisko deposit will need to be refunded and will bear interest at the rate of Libor + 5% until it is refunded. The White Pine North Royalty will have a base rate of 3% and will increase by 0.01% for every \$0.01 increase in the copper price above \$3.00 per pound..

In addition, the Company has granted to Osisko an option to purchase for US\$26 million any future silver production from the Company's Michigan projects, including White Pine and Copperwood (the "Silver Royalty"). Osisko may elect to exercise the option to purchase the silver production by paying US\$26 million to the Company within 60 days following the delivery to Osisko of a feasibility study on the Michigan projects.

As part of the White Pine North Royalty transaction, Osisko has the right to nominate one director to the Board of Highland. Osisko will also be entitled to nominate one additional director to the Board of Highland if it exercises the Silver Royalty option.

Reimbursement of Note due to Orvana

A portion of the proceeds from the Osisko deposit was used to reimburse the US\$7 million promissory note and accrued interest due to Orvana for the acquisition of the Copperwood project (see *Copperwood Project* section).

Extension of Expiry Date of 2012 Warrants

In March 2015, the Company further extended the term of the 41,250,000 share purchase warrants originally issued in three tranches as part of a non-brokered private placement of the Company's securities in May 2012. The original expiry dates of May 2014 were previously extended to March 31, 2015. The new expiry date is March 31, 2016 and the exercise price of \$0.75 remains unchanged.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Highland's objectives for 2015 are to achieve the following exploration and mine development milestones:

- Update the Copperwood 'historical' resource estimate to current resources in compliance with National Instrument 43-101 ("NI 43-101"). This objective has been achieved (see *Copperwood Resource Estimate* below);
- Carry out an infill drill program at White Pine North in support of upgrading the historical estimate to current mineral resources in compliance with NI 43-101 (see *Resource Drilling at White Pine North* below);
- complete a pre-feasibility study ("PFS") combining the White Pine North, Copperwood and Keweenaw copper deposits with the aim of maximizing synergies, minimizing development costs and reducing overall environmental impact (see *Pre-Feasibility Study* below).

Copperwood Resource Estimate

On May 11, 2015, the Company announced a 43-101 compliant mineral resource estimate for its 100%-owned Copperwood Project located in Gogebic County, western Upper Peninsula of Michigan, USA. The mineral resource estimate presented in the following table has been prepared by G Mining Services Inc. ("G Mining"), an independent Canadian mining consultant. The current mineral resource estimate is based on 1,726 assay results from 324 diamond drill holes totaling 59,230 meters, drilled by three companies between 1956 and 2013.

**Copperwood Project
Mineral Resource Estimate – April 15, 2015**

Deposits	Resource Category	Tonnage (Mt)	Copper Grade (%)	Silver Grade (g/t)	Copper Contained (M lbs)	Silver Contained (M oz)
Copperwood	Measured	22.5	1.73	5.08	861	3.7
	Indicated	6.6	1.37	2.56	200	0.5
	M + I	29.1	1.65	4.51	1061	4.2
	Inferred	1.9	1.24	2.36	52	0.1
Satellites	Inferred	38.6	1.23	2.09	1050	2.6

Notes on Mineral Resource Estimate

- (1) Mineral Resources are reported using a copper price of \$3.00/lb and a silver price of \$20/oz.
- (2) A payable rate of 96.5% for copper and 90% for silver was assumed.
- (3) The Copperwood feasibility study reported metallurgical testing with recovery of 86% for copper and 50% for silver.
- (4) Cut-off grade of 1.0% copper was used.
- (5) Operating costs are estimated at \$49/t of ore including ore transportation to a plant at the White Pine site.
- (6) An NSR sliding scale royalty is applicable and equivalent to 3.0% at \$3.00/lb.
- (7) Measured, Indicated and Inferred Mineral Resources have a drill hole spacing of 175 m, 250 m and 350 m, respectively.
- (8) No mining dilution and mining loss were considered for the Mineral Resources.
- (9) Rock bulk densities are based on rock types, % copper and proximity to specific gravity measurements.
- (10) Classification of Mineral Resources conforms to CIM definitions.

- (11) The qualified person for the estimate is Mr. Réjean Sirois, P. Eng., Vice President Geology and Resources of G Mining. The estimate has an effective date of April 15, 2015.
- (12) Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (13) The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as indicated or measured mineral resources.

Resource Drilling at White Pine North

During January and February 2015, Highland completed 27 diamond drill holes totaling 19,152 meters over an area of about eight square kilometers at White Pine North. Two holes were cased for re-entry during the summer of 2015 because of spring melting. Six holes are inclined to obtain structural data for geotechnical studies and were surveyed with televiewer technology. The program used HQ core size and recoveries averaged over 99 percent. Highland designed its 2015 winter drilling program primarily to (i) infill the historical drill grid to prepare an estimate of mineral resource and (ii) obtain information to guide mine planning. The program was successful and the results from this second phase infill drilling (*news release of April 23, 2015*) are consistent with results from Highland's 2014 drilling program (*news release of July 3, 2014*) and confirmed copper-silver mineralization from adjacent historical drill holes completed by the previous operator. Highland also completed seven wedges to obtain approximately 200 kg of mineralized samples for metallurgical testing.

Highland has commenced a detailed review of the drill results and is planning a summer drilling program, subject to available funding. The objective of the program will be to drill the holes necessary to complete a resource estimate, focusing on the higher-grade portions of the deposit.

The Company maintains a rigorous QA/QC program with respect to the preparation, shipping, analysis and checking of all samples and data from the properties. Activation Laboratories in Thunder Bay, Ontario, Canada (IOS 17025 accreditation) assayed all samples from the 2015 winter drilling program using an ICP method tailored for the project samples.

Pre-Feasibility Study

The pre-feasibility level studies ("PFS"), which began in September 2014, are being managed by G Mining. As part of the PFS, the Company is considering the development of its Michigan projects through a centralized processing facility to be located at White Pine, which could also benefit from established infrastructures. The White Pine brownfield site is being considered for several infrastructure installations such as tailings basins, water and natural gas pipelines, rail spur, electrical substation, and warehousing, to minimize impact on greenfield areas.

Mine planning activities have begun with the assessment of alternative access to ore at the White Pine North deposit, considering various mining configurations and related geotechnical issues, including ramp and shaft. The mine plan previously proposed for the Copperwood deposit is being re-assessed and a mine plan for the 543S deposit is being prepared. Itasca Consulting Group has been retained to act as geo-mechanical consultants to the project. Highland plans to do most geotechnical testing of project samples at the Michigan Technological University labs in Houghton, Upper Peninsula.

The Company has retained COREM, a Quebec-based research laboratory, to conduct the metallurgical study of the White Pine North and Copperwood mineralized samples obtained from drill core and channel samples from underground pillars. The main focus of COREM's work is process scheme development. Current testing is designed to validate and improve historical

performances from the previous White Pine mine operations. Preliminary open tests are encouraging, having already produced a concentrate grading around 30% Cu at an average 88% Cu recovery. The collector being used has proven very suitable for silver flotation, indicating recoveries greater than 90%. Highland also plans to conduct metallurgical tests of blended samples from the White Pine North, Copperwood and 543S deposits to determine their processing characteristics.

Golder Associates is analysing the alternatives for tailings disposal for the White Pine and Copperwood sites, particularly at the possibility of a combined facility at the White Pine site. Golder is also looking at water management issues related to the various tailings disposal scenarios.

MHF Services is conducting trade-off studies on the alternatives for ore transportation from the Copperwood and Keweenaw deposits to the White Pine site, and for the transportation of copper concentrate from a central processing plant at White Pine. The alternatives being contemplated include rail, trucking, barging, and slurry pipeline. Highland has initiated discussions with utility companies providing electrical power in the region and is currently favoring the option to connect the project to the local grid. Also, environmental baseline studies have begun for all key areas including groundwater, surface water, wetlands, water balance, meteorological, flora and fauna, and baseline environmental assessments associated with the historical mining area at White Pine. Baseline studies should be completed in 2015.

Lease of Mineral Rights

On April 24, 2015, the Company entered into an agreement to lease certain mineral rights located in White Pine, Michigan from a private Michigan limited liability corporation that is at arm's length to Highland. The mineral lease is for 20 years, with an option for an additional 5 years. Payment at closing consisted of US\$225,000 in cash and the issuance of 2,164,701 common shares of Highland (the equivalent of an amount of US\$400,000 using the 20-day volume weighted average trading price of Highland as of the day prior to closing). Additional cash payments will be payable on the first and second anniversaries of closing. Annual rent will also be payable on each anniversary of the lease. Upon commencement of production, Highland will have to pay a sliding scale royalty on copper and silver production from the leased mineral rights with a base royalty of 2% for copper and 2.5% for silver. The Company has an option to repurchase 50% of the royalties. Highland may terminate the lease at any time upon a 30-day notice. The leased mineral rights cover an area of approximately 1,816 acres and are located within the White Pine North project area but do not belong to the owner of the former White Pine mine.

WHITE PINE PROJECT

On May 13, 2014 (the interim closing date), the Company entered into an agreement to acquire from Copper Range Company ("CRC"), a subsidiary of First Quantum Minerals Ltd., all of CRC's rights, title and interest in the White Pine Project and issued to CRC 3,000,000 of its common shares. Highland further agreed that, upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, it will pay as additional consideration, in cash or in common shares of Highland, at the option of CRC, an amount equal to US\$0.005 (one half of one cent) per pound for the first one billion pounds of proven and probable reserves of copper and US\$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper.

The final closing of the acquisition will be completed once Highland has (i) released CRC for a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine mine site in a manner

that is acceptable to all parties involved, including the applicable governmental authorities; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. At that time, Highland will assume all of CRC's environmental liabilities related to the White Pine mine site and will also be responsible for all on-going environmental obligations. Final closing is anticipated to occur by December 31, 2015.

CRC acquired the original White Pine mine in 1937. Subsequent drilling revealed the widespread nature of the mineralization and underground mining by room and pillar methods followed by flotation of sulfides began in 1952. Production from 1952 to 1995 was 198,070,985 short tons averaging 1.14% copper for approximately 4.5 billion pounds of copper. In 1995, as a result of depressed copper prices, CRC, then a subsidiary of Inmet Mining Corporation, closed the White Pine mine, although significant amounts of mineralization remained, particularly to the northeast of the mine, referred to as the White Pine North Project. An historical estimate of the White Pine North Project was completed in October 1995 by the then White Pine chief geologist based on 526 diamond drill holes. The Company has initiated the work required to verify the historical data with the objective of completing a resource estimate by the end of September 2015.

COPPERWOOD PROJECT

On June 17, 2014, the Company acquired the Copperwood Project through the acquisition from Orvana of all of the outstanding shares of Orvana Resources US Corp. ("Orvana US"). Highland paid US\$13 million in cash at closing and issued to Orvana a US\$7 million promissory note, which was reimbursed in full on December 15, 2014 (see *Reimbursement of Note due to Orvana*, in *Financing Activities* section). An additional consideration of up to US\$5,000,000 may be paid by Highland in cash or shares of Highland, at Orvana's option, of which US\$1.25 million will become due upon the earliest of (i) commencement of commercial production of Copperwood and (ii) June 17, 2017; and an additional US\$1.25 million on the first anniversary of this payment. An amount of US\$1.25 million may also be payable if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than US\$4.25/lb; and an additional payment of US\$1.25 million if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than US\$4.50/lb.

KEWEENAW PROJECT

The Keweenaw Project, which includes the 543S and G-2 deposits, covers an area of approximately 9,000 acres. Under a Mining Venture Agreement (the "Venture Agreement") with BRP LLC ("BRP"), the Company has an option to acquire a 65 percent interest in the Keweenaw Project, by spending US\$11,500,000 in exploration and development work and providing a feasibility study by October 26, 2015. At March 31, 2015, a cumulative amount of US\$13,084,587 in eligible expenditures has been spent on the Keweenaw Project but it is unlikely that the feasibility study can be completed by October 2015. In such event, the Company will need to negotiate an amendment with BRP but there is no assurance that an extension can be obtained. If the option is exercised, BRP will be entitled to a sliding scale net smelter return royalty from production ("NSR") on those properties contributed by BRP based on the price per pound of copper with a minimum of 2% up to a maximum of 5%.

On August 25, 2014, the Company announced an initial resource estimate for the 543S copper deposit which is part of the Keweenaw Project. The qualified person for the estimate is Mr. Réjean Sirois, eng., Vice President Geology and Resources of

G Mining. Refer to the technical report on the 543S deposit dated as at July 5, 2014 which was prepared by G Mining and filed on SEDAR on October 10, 2014 for further detail related to this initial resource estimate of the 543S deposit.

QUALIFIED PERSON

Carlos Bertoni, P. Geo., a Qualified Person under NI 43-101, has reviewed and approved all of the technical information in this MD&A. Mr. Bertoni is the Company's executive vice president, project development.

EXPLORATION EXPENSES

Amounts invested in exploration and evaluation assets and deferred in accordance with the Company's accounting policy, during the nine month period ended March 31, 2015 are as follows:

	White Pine North Project	Copperwood Project	Keweenaw Project	Other Properties	Total
	\$	\$	\$	\$	\$
Property payments	-	125,317	-	48,531	173,848
Site preparation, drilling and assaying	3,890,448	-	1,855	-	3,892,303
Labour	1,385,367	205,326	104,174	-	1,694,867
Studies	1,226,268	104,750	16,551	-	1,347,569
Finance expense on promissory note	-	576,979	-	-	576,979
Other expenses	655,609	86,475	36,353	-	778,437
	7,157,692	1,098,847	158,933	48,531	8,464,003
Depreciation and amortization	152,387	4,762	47,294	-	204,443
Gain on disposal of capital assets	-	(7,774)	-	-	(7,774)
Share-based remuneration	-	-	108,811	-	108,811
Accretion on purchase price payable	-	375,993	-	-	375,993
Effect of foreign exchange	1,639,531	4,593,547	2,224,643	100,731	8,558,452
	8,949,610	6,065,375	2,539,681	149,262	17,703,928

GRANT OF STOCK OPTIONS

On April 22, 2015, the Company granted an aggregate of 1,905,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable for a period of five years at an exercise price of \$0.25 per share, subject to certain vesting conditions.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the Company's March 31, 2015 condensed interim consolidated financial statements.

	March 31,		June 30,	
	2015		2014	
	\$		\$	
Financial position				
Cash	3,286,659		3,242,710	
Exploration and evaluation assets	60,349,862		42,645,934	
Total assets	64,148,337		46,536,013	
Deposit on sale of royalty	10,000,000		-	
Promissory note	-		7,473,900	
Balance of purchase price payable	2,114,289		1,434,850	
Shareholders' equity	48,025,794		35,414,291	
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	3rd Quarter ended March 31,		Nine months ended March 31,	
	2015		2014	
	\$		\$	
Income				
Management and administration expenses	467,247	340,379	2,559,239	1,195,817
Pre-exploration expenses	-	856,100	79,204	1,458,117
Accretion on environmental liability	4,190	-	13,052	-
Finance income	(2,325)	(1,279)	(6,999)	(5,361)
Gain on foreign exchange	(32,289)	(71,478)	(31,083)	(71,713)
Net loss for the period	(436,823)	(1,123,722)	(2,613,413)	(2,576,860)
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Basic and diluted loss per share	(0.00)	(0.02)	(0.03)	(0.05)
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Cash flows				
Operating activities	(518,769)	(581,987)	(2,263,709)	(1,856,554)
Investing activities	(3,813,177)	(1,171,653)	(6,686,752)	(3,527,272)
Financing activities	7,383,228	1,981,883	9,242,228	1,981,883

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and any other factor that the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

Management and administration expenses are summarized as follows:

	3 rd Quarter ended March 31,		Nine months ended March 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Administrative and general	300,440	139,732	1,051,409	346,480
Office	69,810	29,917	179,775	87,747
Professional fees	3,728	13,422	400,693	72,524
Investor relations and travel	77,916	71,447	248,660	229,909
Reporting issuer costs	11,287	9,141	25,512	15,807
	463,181	263,659	1,906,049	752,467
Share-based remuneration	-	74,327	634,008	436,050
Depreciation and amortization	4,066	2,393	19,182	7,300
	467,247	340,379	2,559,239	1,195,817

Financial Review

The Company is in the exploration and development phase and does not yet have revenue-generating activities. Accordingly, the Company's financial performance is largely a function of the level of exploration and development activities undertaken on its projects and the management and administrative expenses required to operate and carry out such activities.

In accordance with its accounting policy, an amount of \$17.7 million in exploration and evaluation expenses was deferred during the nine months ended March 31, 2015. These expenses include site preparation, drilling and assaying expenses of \$3.9 million, labor and overhead expenses of \$2.5 million, PFS-related expenses of \$1.3 million, finance expense on the Orvana promissory note and balance of purchase price payable of \$1.0 million, property payments of \$0.2 million, an unrealized foreign exchange expense of \$8.5 million due to the weakening of the Canadian dollar during the reporting period and other non-cash expenses of \$0.3 million.

The Company incurred a net loss of \$0.4 million during the 3rd Quarter ended March 31, 2015 compared to a net loss of \$1.1 million during the 3rd Quarter ended March 31, 2014. During the 2014 period, the Company had not yet completed the interim closing of the acquisition of the White Pine Project (which occurred in May 2014), and thus charged to income, in accordance with its accounting policy, pre-exploration expenses of \$0.9 million incurred at White Pine North. During the 2015 period, exploration and evaluation expenses incurred at White Pine North were deferred. Higher administrative and general expenses were incurred during the current period as a result of the increased activities following the acquisition of the White Pine North Project and the Copperwood Project in May and June 2014.

The Company incurred a net loss of \$2.6 million during the nine months ended March 31, 2015 and during the nine months ended March 31, 2014. Pre-exploration expenses of \$1.5 million incurred at White Pine North during the nine months ended March 31, 2014 before the legal right to undertake exploration and evaluation activities had been obtained were offset during the current period by higher administrative and general expenses of \$1.4 million as a result of the increased activities following the acquisition of the White Pine North Project and the Copperwood Project in May and June 2014 and professional fees

incurred in relation to the Royalty Agreements with Osisko described in the *Financing Activities* section. Higher share-based remuneration expense was charged to income during the nine months ended March 31, 2015 compared to 2014 due to the grant of 1,400,000 stock options in August 2014. At March 31, 2015, there is no amount in share-based remuneration to be amortized in future periods related to the grant of stock options.

Selected Quarterly Financial Information

The following is a summary of the Company's financial results for the past eight quarters:

Period ended	Revenues	Net loss	Basic and diluted loss per share
	\$	\$	\$
March 31, 2015	2,325	(436,823)	(0.00)
December 31, 2014	582	(1,011,470)	(0.01)
September 30, 2014	4,092	(1,165,120)	(0.01)
June 30, 2014	3,303	(846,359)	(0.01)
March 31, 2014	1,279	(1,123,722)	(0.02)
December 31, 2013	1,529	(718,037)	(0.01)
September 30, 2013	2,553	(735,101)	(0.02)
June 30, 2013	4,847	(223,999)	(0.00)

Liquidity and Capital Resources

The Company's working capital deficit at March 31, 2015 totaled \$10.2 million compared to a working capital deficit of \$6.0 million at June 30, 2014. The increase in the working capital deficit during the nine months ended March 31, 2015 is mainly attributable to investments made on the Company's exploration and evaluation assets (\$8.5 million), management and administration expenses (\$1.9 million) and the impact of the weakening Canadian dollar on the repayment of the promissory note to Orvana (\$0.7 million), partially offset by the net proceeds of \$7.4 million received on the completion of a private placement.

In March 2015, the Company completed in three tranches a non brokered private placement for gross proceeds of \$7.6 million. A total of 30,410,746 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at \$0.25 per unit. Each Warrant is exercisable for a period of 18 months from the closing date at an exercise price of \$0.50 to acquire one common share. Finder's fees of \$0.2 million were incurred in relation to this private placement.

On December 15, 2014, Osisko made a \$10.0 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine North Project (see details in the *Financing Activities* section). An amount of \$8.8 million was used from the proceeds of the Osisko deposit to reimburse the US\$7 million promissory note and accrued interest due to Orvana for the acquisition of the Copperwood project.

The Company needs to raise additional funds to meet all of its obligations, to pursue exploration and development work on its mineral projects and to provide for management and administration expenses for at least the next 12 months. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for continued operations. The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The potential sources of future funds presently available to the Company are through the sale of equity capital of the Company, debt financing or other arrangements. The ability of the Company to arrange the required financing depends in part upon the global economic and capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Capital Management

The Company defines capital that it manages as loans and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At March 31, 2015, managed capital was \$50,140,083 (\$44,323,041 at June 30, 2014). There were no changes in the Company's approach to capital management during the nine months ended March 31, 2015. The Company is not subject to any externally imposed capital requirements as at March 31, 2015.

Off-Balance Sheet Arrangements

At March 31, 2015, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the 3rd Quarter and the nine months ended March 31, 2015, the Company incurred administration expenses of \$115,785 and \$373,692, respectively from Reunion Gold Corporation ("Reunion"), a related party by virtue of common management and directors (\$65,682 and \$158,232 during the 3rd Quarter and the nine months ended March 31, 2014, respectively). These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties. The services provided by Reunion under the service agreement include administrative support, corporate and regulatory services, office space, and office equipment and supplies.

Remuneration to directors and key management of the Company totaled \$292,793 and \$1,342,475 during the 3rd Quarter and the nine months ended March 31, 2015, respectively (\$206,836 and \$790,198 during the 3rd Quarter and the nine months ended March 31, 2014, respectively).

Outstanding Share Data

At May 26, 2015, the Company has 129,542,192 common shares issued and outstanding, 56,455,373 share purchase warrants exercisable at an average price of \$0.68 per share until September 27, 2016, and 7,597,000 stock options outstanding with an average exercise price of \$0.49, expiring at various dates until April 2020.

FINANCIAL RISK FACTORS

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, currency risk, credit risk and interest rate risk. Where material, these risks are reviewed by the board of directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for continued operations through future financings (see 'Financing Condition' section).

The following table summarizes the contractual maturities of the Company's financial liabilities at March 31, 2015:

	Carrying amount	Settlement amount	Within 1 year	2-3 years	Over 3 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,727,006	3,727,006	3,727,006	-	-
Balance of purchase price payable	2,114,289	3,166,500	-	1,583,250	1,583,250
	5,841,295	6,893,506	3,727,006	1,583,250	1,583,250

Currency Risk

In the normal course of operations, the Company is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of each of the entities within the consolidated group. The currency in which these transactions are denominated is primarily the US dollar. The consolidated entity seeks to minimize its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions are entered into at spot rates. The board of directors considers this policy appropriate, taking into account the consolidated entity's size, current stage of operations, financial position and the board's approach to risk management. At March 31, 2015, assets and liabilities denominated in a foreign currency consisted of cash of \$99,131 and accounts payable and accrued liabilities of \$351,492. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately \$25,200.

Credit Risk

At March 31, 2015, the Company's financial assets exposed to credit risk are primarily composed of cash. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds. The Company's cash is held with large financial institutions, with most of the Company's cash held with a Canadian-based financial institution.

Interest Rate Risk

The Company's interest rate risk relates to cash. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest bearing accounts with major Canadian-based chartered banks. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$32,900

OTHER RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties which include but are not limited to the nature of its business and the present stage of exploration and development of its mineral projects, the requirement for additional funds to settle its current obligations, to complete its acquisitions and to pursue its exploration and development activities on all of its projects. Failure to successfully address such risks and uncertainties could have a significant negative impact on the Company's overall operations and financial condition and could materially affect the value of the Company's assets and future operating results. Therefore, an investment in the securities of the Company involves significant risks and should be considered speculative. The risks and uncertainties described herein are not necessarily the only ones that the Company could be facing. The Company cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Readers should carefully consider the risks and uncertainties described below.

Company Specific Risks

- The Company may be unable to continue funding the exploration and development of its projects and achieve its business objectives and milestones.
- The Company may be unable to complete the acquisition of the White Pine Project if it cannot meet the final closing conditions. This would force the Company to refund the \$10 million deposit on sale of a royalty to Osisko and would negatively impact the Company's business plan.
- The Company is subject to environmental risks related to the fact that the White Pine Project is subject to a consent decree and, as part of the acquisition of White Pine, the Company may have to assume certain environmental responsibilities related to the closure of the former White Pine Mine.
- The Company may be unable to complete a feasibility study on the Keweenaw Project by October 26, 2015 to acquire a 65% interest in the Keweenaw Project and may have to negotiate an amendment with the owner.

- The Company is taking steps to verify title with respect to its most material mineral properties. Although the Company believes that title to its mineral properties are in good standing there is no guarantee that title to such properties will not be challenged or impugned.
- The Company's mineral resource estimates are not mineral reserves. There is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and that the Company will be able to demonstrate the economic viability of its deposits.
- The Company may not obtain all necessary permits to conduct its activities and operate a mine.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources.
- The Company has no history of earnings and does not expect to receive revenues from operations in the foreseeable future.
- Certain directors and senior officers of the Company also serve as officers and/or directors of other mineral resource companies, which may give rise to conflicts.

Industry Risks

- Mineral exploration and development is a high risk, speculative business. Few properties that are explored are ultimately developed into producing mines.
- Mineral exploration is subject to geological uncertainties and interpretation.
- Mineral exploration is subject to numerous industry operating and environmental hazards and risks, many of which are beyond the Company's control.
- Substantial expenditures are required to explore mineral projects, define mineral resources, and complete all metallurgical, engineering, environmental, financial and other studies required to complete a feasibility study.
- Changes in mining and environmental laws.
- Necessary permits to operate may not be granted or may be granted later than anticipated.
- Current economic uncertainties globally have created market volatility and risk aversion among investors, limiting capital raising options.
- Commodity prices including the price of copper have fluctuated widely in the past and are expected to continue to do so in the future.
- Mining operations including exploration and development activities are subject to numerous laws and regulations.
- Title to mineral rights and surface rights may be disputed.
- Social and environmental groups may be opposed to the development of mining projects.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives,

assumptions, intentions or statements about future events or performance. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking information.

Specifically, this MD&A contains forward-looking information regarding the Company's plans going forward including plans to raise additional funds to pursue the Company's activities and to meet its current obligations, plans to complete the acquisition of the White Pine Project and of a 65% interest in the Keweenaw Project, plans to complete technical studies, a summer drilling program and a resource estimate at White Pine North, and plans to have a centralized processing facility at White Pine. Other forward looking information in this MD&A includes, but is not limited to, forward-looking information with respect to the requirement for additional capital and other statements relating to the financial and business prospects of the Company.

There can be no assurance that the Company will be successful in its efforts to complete its plans and achieve its objectives and that such forward-looking information will prove to be accurate. Actual results could differ materially from those currently anticipated due to any number of factors, including the inability of the Company to secure the funds necessary to meet its plans and obligations, the inability to complete a resource estimate and technical studies, the conclusions of such studies, and other variables such as lower than expected grades and quantities of resources, changes in demand for and prices of copper, mining rates and recovery rates, legislative, environmental and other regulatory approval or political changes, delays in obtaining or failures to obtain required governmental, environmental or other approvals and sufficient financing, changes in exchange rates, and other factors.

Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, except as may be required by law.

Cautionary Note to U.S. Investors Concerning Resource Estimates

The resource estimates in this MD&A were prepared in accordance with NI 43-101 adopted by the Canadian Securities Administrators and it contains the terms "measured", "indicated" and "inferred" resources. Although these terms are recognized and required in Canada, the U.S. Securities and Exchange Commission ("SEC") does not recognize them. The SEC permits US mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves". Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at May 26, 2015. Additional information on the Company is available through regular filings of press releases, financial statements and MD&A on SEDAR (www.sedar.com) and on the Company's website (www.highlandcopper.com).