



## MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED MARCH 31, 2018

The following interim management's discussion and analysis – quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three months ended March 31, 2018 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended June 30, 2017 ("**Annual MD&A**").

This Interim MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended March 31, 2018 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2017 and 2016 (the "**Annual Financial Statements**"), and the Company's Annual MD&A, including the section describing risks and uncertainties.

The effective date of this Interim MD&A is May 15, 2018.

All financial results presented in this Interim MD&A are expressed in **US dollars** unless otherwise indicated. Effective July 1, 2017, the Company changed its reporting currency to the United States dollar as all of the Company's exploration and evaluation assets are located in the United States. This change will also facilitate comparability of the Company's financial information with those of similar mining companies. All comparative financial information included in this Interim MD&A have been restated as if they had been historically reported in US dollars.

### ***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 the State of Michigan, USA. The Company has assembled a number of advanced-stage copper projects located in Michigan's western Upper Peninsula region, including **Copperwood**, a feasibility stage project, acquired in June 2014 from Orvana Minerals Corp. ("**Orvana**"), **White Pine** (subject to final closing of the acquisition from Copper Range Company ("**CRC**"), a wholly-owned subsidiary of First Quantum Minerals Ltd.), and **Keweenaw**, which includes the 543S deposit (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC). In May 2017, the Company acquired from subsidiaries of the Rio Tinto Group ("**RTX**") a mineral property covering approximately 448,000 acres in the central Upper Peninsula region (referred to as the "**UPX Property**"). The acquisition of the UPX Property establishes Highland as a dominant mineral exploration and development company in the Upper Peninsula of Michigan.

Highland's common shares are listed on the TSX Venture Exchange ("**TSXV**") under the symbol HI and trades on the OTCQB Venture Marketplace under the symbol "HDRSF".

At March 31, 2018, the Company had a cash position of \$7.3 million and 472.9 million issued and outstanding common shares.

### ***COPPERWOOD PROJECT***

The Company's primary objective is the completion of the Copperwood Project feasibility update. The work required to update the 2012 feasibility study prepared by Orvana ("**FS Update**") on the Copperwood Project, with G Mining Services Inc. ("**G Mining**") as lead consultant, is almost complete. The Company expects to release the results of the FS Update in June 2018. Subject to receipt of the permits and funds required for the development of the Copperwood Project, the Company plans to begin construction by the end of calendar year 2018.

As of the date of this Interim MD&A, most of the required environmental permitting applications (this includes amendments to existing permits or new applications) have been submitted to the Michigan Department of Environmental Quality ("**MDEQ**") and comments are expected shortly. The permitting lead and coordination is being performed by Foth Infrastructure and Environment, a Wisconsin-based engineering firm.

An 8-hole (2,550-meters) drilling program on and around Section 5, which aimed at completing the drill program initiated in 2017, was completed during the reporting period. The updated geological database was handed over to G Mining in early April 2018 for integration into the mineral resource model with subsequent updating of the mine plan to be included in the upcoming FS Update.

### ***UPX PROPERTY***

The UPX Property covers several Precambrian geological domains with known potential for nickel-copper massive sulphide deposits, gold deposits, and sediment-hosted base metal deposits. During the reporting period, the Company continued its systematic review and compilation of all available geological data, including the review of historical drill core relating to gold exploration conducted in the past, in conjunction with a soil and rock sampling program.

The Company is currently evaluating various options to finance exploration work programs on the UPX Property.

### ***CORPORATE ACTIVITIES***

#### *Extension to complete the acquisition of the White Pine Project*

On April 30, 2018, the Company and CRC agreed to further extend the period to complete the acquisition of the White Pine Project to August 31, 2018. The Company aims to finalize the acquisition of the White Pine Project as soon as is practicable.

#### *Exercise of warrants*

During the quarter ended March 31, 2018, a total of 5,394,286 share purchase warrants ("**Warrants**") were exercised at a price of Can \$0.15 per share for total proceeds of \$632,993 (Can \$809,143). A total of 129,580,548 unexercised Warrants expired during the reporting period. At May 15, 2018, there are 1,000,000 Warrants outstanding exercisable at a price of Can \$0.15 per share, expiring in March 2020.

*Grant of stock options*

On May 15, 2018, the Company granted a total of 950,000 incentive stock options to employees of the Company at an exercise price of Can \$0.10 per share. These stock options will vest over a period of two years and, if not exercised, will expire five years from the date of the grant. At May 15, 2018, there are 15,200,000 stock options outstanding exercisable at an average price of Can \$0.17 per share, expiring at various dates until May 2023.

**EXPLORATION AND EVALUATION EXPENSES**

At June 30, 2017, the Company had changed its accounting policy related to exploration and evaluation expenses, which previously consisted in capitalizing all such expenditures. Under the new policy, the cost of acquiring prospective properties and exploration rights continues to be capitalized and exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures incurred to develop the mine, prior to the start of mining operations. This change in accounting was applied retroactively.

During the nine months ended March 31, 2018, amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's accounting policy on exploration and evaluation expenses described above, included lease payments of \$186,100 related to the Copperwood Project and \$28,895 related to other properties. A total accretion amount of \$1,372,109 related to the non-interest bearing promissory note in favor of RTX and the non-interest-bearing balance of purchase price payable to Orvana was also capitalized to exploration and evaluation assets during the period.

In 2017, the capitalized amounts included lease payments of \$110,510 related to the Copperwood Project, \$150,000 to the White Pine Project and \$24,412 related to other properties, and an accretion amount of \$219,385 related to the non-interest-bearing balance of purchase price payable in favor of Orvana.

Exploration and evaluation expenses charged to the statement of comprehensive loss during the three months ended March 31, 2018 and 2017 are as follows:

	Copperwood	White Pine	UPX	Other	Three months ended Mar 31, 2018	Three months ended Mar 31, 2017
	Project	Project	Property	projects	Total	Total
	\$	\$	\$	\$	\$	\$
Site preparation, drilling and assaying	453,334	-	55,075	-	508,409	885,800
Labour	275,821	24,581	326,211	2,389	629,002	40,380
Studies and consultants	1,073,691	22,612	-	-	1,096,303	41,577
Office, overhead and other administrative costs	79,278	39,592	109,286	6,181	234,337	419,295
	<b>1,882,124</b>	<b>86,785</b>	<b>490,572</b>	<b>8,570</b>	<b>2,468,051</b>	<b>1,387,052</b>

### **OPERATING ACTIVITIES**

During the three months ended March 31, 2018, the Company incurred a net loss of \$2,934,837 (\$0.01 per share) compared to a net loss of \$2,035,614 (\$0.01 per share) during the comparative period in 2017. Significant items during the period included exploration and evaluation expenses of \$2,468,051 as detailed above (\$1,387,052 in 2017), management and administration expenses of \$513,728 (\$343,375 in 2017), business development expenses of \$36,401 (\$119,885 in 2017), share-based compensation of \$81,703 (\$5,367 in 2017) and a gain on foreign exchange of \$162,610 resulting mostly from the conversion of the Company's cash position held in Canadian dollars at March 31, 2018 (a foreign exchange loss of \$176,184 in 2017).

Management and administration expenses increased during the three months ended March 31, 2018 due mostly to higher wages and fees following the hiring of senior corporate staff in February 2017 and other corporate staff during the reporting period (wages and fees of \$294,150 during the current period compared to \$231,085 in 2017) and higher investor relations and travel expenses related to various investor relations events (\$89,018 during the current period compared to \$32,638 in 2017). Other management and administration expenses consisted of professional fees of \$61,059 due mostly to higher legal fees (\$33,277 in 2017), office expenses of \$34,194 (\$31,844 in 2017) and reporting issuer costs of \$35,307 (\$14,531 in 2017).

### **LIQUIDITIES AND CAPITAL RESOURCES**

At March 31, 2018, the Company had a working capital of \$3,385,556 compared to \$10,584,135 at June 30, 2017. The decrease in the working capital during the nine months ended March 31, 2018 is mainly attributable to exploration and evaluation expenses of \$7,048,134, management and administration expenses of \$1,235,421, business development expenses of \$159,229, the acquisition of capital assets of \$118,149 (consisting mostly of leasehold improvements and the acquisition of vehicles and computer-related equipment), lease payments of \$214,995 related to the Copperwood Project and other mineral leases held, and the reimbursement of an amount of \$82,500 under a 4-year note payable related to certain mineral rights located in White Pine, Michigan, with all such expenditures partially offset with the proceeds of \$1,609,628 received following the exercise of 13,785,536 share purchase warrants.

The Company will require additional funds to carry-out its planned exploration and development work and to provide for management and administration expenses for the next 12 months and to meet all existing commitments which are due after March 31, 2019. Although such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements, there is no assurance that the Company will be successful in raising such funds. Should the Company not be successful in raising such funds, it may be required to delay, reduce the scope of, or eliminate its future exploration and development activities, and / or it may have to sell some or all of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

### ***OTHER RELATED PARTY TRANSACTIONS***

During the three and nine months ended March 31, 2018, the Company incurred administration expenses of \$18,263 and \$49,400, respectively (\$22,337 and \$54,140 during the comparative periods in 2017), mainly for the use of office space and telecommunication services provided by Reunion Gold Corporation, a related party by virtue of common management. During the three and nine months ended March 31, 2018, the Company recovered an amount of \$47,292 and \$119,443, respectively for the provision of management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation (\$35,449 and \$83,417 during the comparative periods in 2017).

The remuneration awarded to key management personnel, including directors, the president and CEO, the Vice President, Exploration and the CFO, during the three and nine months ended March 31, 2018 totaled \$236,432 and \$839,130, respectively (\$190,029 and \$489,468 during the comparative periods in 2017).

### ***RISKS AND UNCERTAINTIES***

The Company is subject to a number of significant risks and uncertainties due to the nature of its business, its present stage of development and the nature of mineral exploration and development generally. Risks specific to the Company include but are not limited to: the ability of the Company to achieve its plans and objectives, including the completion of the Copperwood FS Update and the development of a mine at the Copperwood project; the Company's ability to secure project financing to start construction of a mine at Copperwood. The Company's ability to raise funds may be affected by the results of the ongoing FS Update, the results of ongoing exploration programs, delays in obtaining or failures to obtain required governmental, environmental or other approvals, and other variables such as changes in demand for and the price of copper, lower than expected grades and quantities of resources, mining rates and recovery rates, legislative, environmental and other regulatory approval or political changes. Other risks include being unable to meet the final closing conditions of the acquisition of the White Pine Project on terms acceptable to the Company; risks related to environmental liabilities (pre-existing and those that may be caused by the Company's activities); risks related to accidents or spills; risks caused by unusual or severe weather conditions which may negatively impact the Company's planned activities; uncertainties involved in the interpretation of drilling results and geological tests and the estimation of reserves and resources; unexpected cost increases; risks that even if an economic deposit of minerals is located, it may not be commercially mined; and risks that metal price fluctuation and market volatility may have a negative impact on the Company's common shares, on its financial results and on its development activities. For additional risk factors, refer to the risks and uncertainties described in the Annual MD&A. Investment in the Company's securities should be considered as highly speculative.

### ***CAUTIONARY NOTE***

This MD&A contains certain forward-looking statements within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, including, without limitation, statements relating to the mineral resource estimate, the potential timing and results of the FS Update on the Copperwood deposit, the timing of the start of construction of a mine at Copperwood, the timing of the acquisition of the White Pine Project, and the timing and potential

results of exploration program at the UPX Property are forward-looking statements. Forward-looking statements involve various risks and uncertainties some of which are described above and in the Annual MD&A. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

All forward-looking statements in this MD&A are based on information available to the Company as of the date hereof, and the Company undertakes no obligation to update forward-looking statements except as required by law.

Highland advises U.S. investors that this MD&A contains the terms "inferred", "indicated" and "measured" resources. All resource estimates have been prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("**NI 43-101**") and the Canadian Institute of Mining, Metallurgy, and Petroleum Definition Standards on Mineral Resources and Mineral Reserves. NI 43-101 is a rule developed by the Canadian Securities Administrators, which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Canadian standards differ significantly from the requirements of the United States Securities and Exchange Commission, and resource information contained therein 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". "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred resource" will ever be upgraded to a higher category. U.S. investors are cautioned not to assume that all or part of an inferred resource exists, or is economically or legally mineable. U.S. Investors are also cautioned not to assume that all or any part of mineral deposits in the "measured" or "indicated" resource categories will ever be converted into reserves.

#### ***QUALIFIED PERSON***

The technical information in this MD&A has been reviewed and approved by Carlos H. Bertoni, P. Geo, Vice President, Exploration of Highland, and a qualified person under NI 43-101.

#### ***ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE***

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.highlandcopper.com](http://www.highlandcopper.com)).