HIGHLAND Copper Company Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

2nd Quarter ended December 31, 2014

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 2nd QUARTER ENDED DECEMBER 31, 2014

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 February 26, 2015, covers the 2nd quarter ended December 31, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the 2nd quarter ended December 31, 2014 (the "December 31, 2014 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 the state of Michigan, USA. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. At February 26, 2015, the Company had 96,966,745 common shares issued and outstanding.

In May 2014, the Company completed the interim closing for the acquisition of the White Pine copper project (the "White Pine Project"), which includes mineral rights related to the White Pine North Project (the "White Pine North Project"), and in June 2014, the Company acquired the Copperwood copper project (the "Copperwood Project"). The Company also has an option to acquire a 65% interest in the Keweenaw project which hosts the 543S deposit, the G-2 project and other target areas (the "Keweenaw Project") and has entered into lease agreements entitling the Company to explore and develop certain other properties. All projects are located in the Upper Peninsula of the state of Michigan, USA.

FINANCIAL CONDITION

At February 26, 2015, the Company had a working capital deficit of approximately $16 million. This amount includes a $10 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 million refundable deposit under *Financing* 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 (see proposed private placement under *Financing* section), debt financing or other arrangements. There can be no assurance that the Company will be able to raise the funds required. The continuation of the Company as a going concern is dependent on its ability to obtain necessary new funding to meet its financial obligations and to continue its exploration and development activities. See *'Going Concern Assumption'* below.

FINANCING

Private Placement

On December 16, 2014, the Company had announced its intention to complete a private placement of securities of up to $10 million (the "Offering"). On February 26, 2015, the Company announced that it has revised the terms of its proposed Offering. The Company is planning to issue up to 33,333,333 units of its securities (the "Units") at a price of $0.30 per Unit with each Unit consisting of one common share of Highland and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable to acquire one common share at $0.50 for a period of 18 months from the closing date of the Offering. The Warrants will be subject to a right of accelerated expiry at the Company's option when the closing price of its common shares on the TSX Venture ("TSXV") has exceeded $0.80 for twenty consecutive trading days at any time after six months from closing of the Offering. The Offering is expected to close on or about March 5, 2015. There can be no assurance that the proposed Offering will be completed as intended or at all.

Royalty agreements

On December 15, 2014, Osisko Gold Royalties Ltd. ("Osisko") made a $10 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. 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 Minerals Corp. for the acquisition of the Copperwood project (see *Copperwood Project* section).

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.

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.

About the White Pine Project

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. Although silver was consistently alloyed with the copper, silver was generally not recovered and was incorporated into the copper as "fire-refined" copper until an on-site electrolytic refinery was completed in 1982. 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 compliant with NI 43-101, which will also include the results of the current winter drilling campaign.

COPPERWOOD PROJECT

On June 17, 2014, the Company acquired the Copperwood Project through the acquisition from Orvana Minerals Corp., a TSX-listed company ("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 secured promissory note (the "Note"). On December 15, 2014, the Company reimbursed the promissory note in full and paid to Orvana an amount of $8,761,412, including the principal amount of $8,141,000 and accrued interest of $620,412.

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.

About the Copperwood Project

Copperwood is a feasibility stage project. On February 25, 2011, Orvana reported an updated mineral estimate for Copperwood, including the mineralization in the adjacent Copperwood satellite areas. On June 24, 2011, Orvana reported the results of a pre-feasibility study and on February 7, 2012, it reported the results of a feasibility study for Copperwood. Additional information on the Copperwood Project, including the historical estimate of the Copperwood mineral reserves and resources, is available in the NI 43-101 Technical Report on the Copperwood Project, Michigan, USA, prepared by Golder Associates Ltd as of March 17, 2014 and filed on SEDAR on June 13, 2014.

KEWEENAW PROJECT

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. The Keweenaw Project covers an area of approximately 9,000 acres. At December 31, 2014, a cumulative amount of US$13,106,334 in eligible expenditures has been spent on the Keweenaw Project. Upon satisfying all conditions and exercising the option, the Company will have a 65% interest and BRP will have a 35% interest in the Keweenaw Project. In addition, 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 Services Inc. ("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.

ACTIVITIES DURING THE 2ND QUARTER ENDED DECEMBER 31, 2014

During the reporting period, the Company, under the supervision of G Mining, initiated a number of technical studies including metallurgy, infrastructure requirements and mining methods that are intended to be used in a prefeasibility study that would combine the White Pine North, the Copperwood and the 543S deposits. In addition, Golder Associates has started baseline environmental work including hydrology and tailings disposal studies at White Pine North and COREM is carrying out mineral processing work on mineralized samples from White Pine North.

In January 2015, Highland started a second phase drilling program at White Pine North. So far approximately 18,000 meters of drilling has been completed in 22 holes. The drill holes are focused on the higher-grade central portion of the deposit. Assay results from this drilling will be released when they become available. Following the completion of this drilling campaign, the Company expects to be able to release a resource estimate of the White Pine North deposit.

2015 OBJECTIVES

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

- update the Copperwood 'historical' resource estimate to current resources compliant with NI 43-101 during the second quarter of 2015;
- complete the infill drill program at White Pine North in support of upgrading the historical estimate to current mineral resources in compliance with NI 43-101 by the end of the third quarter of 2015; and
- complete a pre-feasibility study ("PFS") combining the White Pine North, Copperwood and Keweenaw copper deposits by the end of 2015.

The completion of these milestones is subject to the Company raising sufficient funds, including completion of the private placement described in the *Financing* section.

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 six-month period ended December 31, 2014 are as follows:

	White Pine Project	Copperwood Project	Keweenaw Project	Other Properties	Total
	$	$	$	$	$
Balance at June 30, 2014	5,028,094	23,898,745	13,203,414	515,681	42,645,934
Additions :					
Property payments	-	123,005	45,448	2,272	170,725
Site preparation, drilling and assaying	313,836	-	1,824	-	315,660
Labour	891,907	113,704	113,390	-	1,119,001
Studies	932,553	56,160	17,174	-	1,005,887
Other expenses	443,911	71,065	29,762	-	544,738
Gain on disposal of capital assets	-	(7,774)	-	-	(7,774)
Depreciation and amortization	105,173	3,485	31,824	-	140,482
Share-based remuneration	-	-	108,811	-	108,811
Finance expense	-	821,484	-	-	821,484
Effect of foreign exchange	489,947	2,093,179	1,031,128	44,674	3,658,928
	3,177,327	3,274,308	1,379,361	46,946	7,877,942
Balance at December 31, 2014	8,205,421	27,173,053	14,582,775	562,627	50,523,876

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information should be read in conjunction with the Company's December 31, 2014 condensed interim consolidated financial statements.

	December 31, 2014	June 30, 2014
	$	$
Financial position		
Cash	**537,598**	3,242,710
Total assets	**51,560,816**	46,536,013
Deposit on sale of royalty	**10,000,000**	-
Promissory note	**-**	7,473,900
Balance of purchase price payable	**1,818,510**	1,434,850
Shareholders' equity	**36,846,947**	35,414,291

	2nd Quarter ended December 31,		**Six months ended December 31,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Operations				
Management and administration expenses	**1,008,301**	344,511	**2,091,992**	855,438
Pre-exploration expenses	**-**	468,658	**79,204**	602,017
Accretion on environmental liability	**4,528**	-	**8,862**	-
Finance income	**(582)**	(1,529)	**(4,674)**	(4,082)
Loss (gain) on foreign exchange	**(777)**	(93,603)	**1,206**	(235)
Net loss for the period	**(1,011,470)**	(718,037)	**(2,176,590)**	(1,453,138)
Basic and diluted loss per share	**(0.01)**	(0.01)	**(0.02)**	(0.03)
Cash flows				
Operating activities	**(761,912)**	(851,887)	**(1,744,940)**	(1,274,567)
Investing activities	**(1,691,314)**	(888,716)	**(2,873,575)**	(2,355,619)
Financing activities	**1,859,000**	-	**1,859,000**	-

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.

Going Concern Assumption

The Company is at the exploration stage and as is common with many exploration companies, it raises funds on the equity market to conduct its activities. The Company has incurred a net loss of $2,176,590 during the six months ended December 31, 2014 and has an accumulated deficit of $12,626,718 at December 31, 2014. The Company has a working capital deficit of $11,938,788 at December 31, 2014, including a refundable deposit of $10 million to be exchanged for a royalty on all metals from the White Pine North Project upon the completion of the acquisition of the White Pine North Project (see detail under *Financing* 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 but not limited to the issuance of securities, debt financing or other arrangements. There is no assurance that such additional funds can be raised even if the Company has been successful in the past in doing so.

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 million deposit described in the *Financing* section, it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities and it may be unable to meet the earn-in requirements under the venture agreement with BRP. These conditions and uncertainties indicate the existence of material uncertainties that casts a significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for the Company's condensed interim consolidated financial statements, adjustments to the carrying value of assets and liabilities, in particular an impairment of exploration and evaluation assets, and reported expenses would be necessary.

Management and administration expenses are summarized as follows:

	2nd Quarter ended December 31,		**Six months ended December 31,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Administrative and general	**442,761**	95,173	**750,969**	206,748
Office	**59,956**	34,849	**109,965**	57,830
Professional fees	**245,448**	5,549	**396,965**	59,102
Investor relations and travel	**81,164**	66,658	**170,744**	158,462
Reporting issuer costs	**10,227**	6,041	**14,225**	6,666
	839,556	208,270	**1,442,868**	488,808
Share-based remuneration	**161,187**	133,788	**634,008**	361,723
Depreciation and amortization	**7,558**	2,453	**15,116**	4,907
	1,008,301	344,511	**2,091,992**	855,438

Financial Review

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

In accordance with its accounting policy, an amount of $7.9 million in exploration and evaluation expenses was deferred during the six months ended December 31, 2014. These expenses include an unrealized foreign exchange expense of $3.7 million due to the weakening of the Canadian dollar during the reporting period, technical studies expenses of $1.0 million, labour and overhead expenses of $1.6 million, drilling and assaying expenses of $0.3 million, finance expense on the Orvana promissory note in the amount of $0.6 million, property payments of $0.2 million and other non-cash expenses of $0.5 million.

The Company incurred a net loss of $1.0 million and $2.2 million during the 2nd Quarter and the six months ended December 31, 2014, respectively compared to a net loss of $0.7 million and $1.5 million during the 2nd Quarter and the six months ended December 31, 2013, respectively. The increased losses are mainly attributable to higher administrative and general expenses 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 financing agreements described in the *Financing* section. Higher share-based remuneration expense was charged to income during the 2nd Quarter and the six months ended December 31, 2014 compared to 2013 following the grant of 1,400,000 stock options in August 2014. At December 31, 2014, there is no amount of 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:

	Revenues	Net loss	Basic and diluted loss per share
Period ended	$	$	$
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	(2,284,041)	(0.04)
December 31, 2013	1,529	(718,037)	(0.01)
September 30, 2013	2,553	(735,101)	(0.01)
June 30, 2013	4,847	(223,999)	(0.00)
March 31, 2013	11,364	(234,412)	(0.00)

Liquidity and Capital Resources

The Company's working capital deficit at December 31, 2014 totaled $11,938,788 compared to a working capital deficit of $6,000,228 at June 30, 2014. The decrease in working capital during the six months ended December 31, 2014 is mainly attributable to investments made on the Company's exploration and evaluation assets ($3,723,353), management and administration expenses ($1,442,868), the acquisition of capital assets ($50,248) and the impact of the weakening Canadian dollar on the repayment of the promissory note to Orvana ($667,100).

On December 15, 2014, Osisko made a $10 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine North Project (see details in the *Financing* 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 Minerals Corp. for the acquisition of the Copperwood project (see *Copperwood Project* section).

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 December 31, 2014, managed capital was $38,665,457 ($44,323,041 at June 30, 2014). There were no changes in the Company's approach to capital management during the six months ended December 31, 2014. The Company is not subject to any externally imposed capital requirements as at December 31, 2014.

Off-Balance Sheet Arrangements

At December 31, 2014, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the 2nd quarter and the six months ended December 31, 2014, the Company incurred administration expenses of $139,215 and $257,907, respectively from Reunion Gold Corporation ("Reunion"), a related party by virtue of common management and directors ($46,275 and $92,550 during the 2nd quarter and the six months ended December 31, 2013, 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 $451,469 and $1,049,682 during the 2nd Quarter and the six months ended December 31, 2014, respectively ($249,167 and $583,361 during the 2nd Quarter and the six-months ended December 31, 2013, respectively).

Outstanding Share Data

At February 26, 2015, the Company has 96,966,745, common shares issued and outstanding, 41,250,000 share purchase warrants exercisable at $0.75 per share until March 31, 2015, and 5,762,000 stock options outstanding with an average exercise price of $0.57, expiring at various dates until August 2019.

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 '*Going Concern* Assumption' section).

The following table summarizes the contractual maturities of the Company's financial liabilities at December 31, 2014:

	Carrying amount	Settlement amount	Within 1 year	2-3 years	Over 3 years
	$	$	$	$	$
Accounts payable and accrued liabilities	2,641,815	2,641,815	2,641,815	-	-
Balance of purchase price payable	1,818,510	2,500,000	-	1,250,000	1,250,000
	4,460,325	5,141,815	2,641,815	1,250,000	1,250,000

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 currencies in which these transactions are denominated are 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 December 31, 2014, assets and liabilities denominated in a foreign currency consisted of cash of $6,755 and accounts payable and accrued liabilities of $67,607. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately $6,100.

Credit Risk

At December 31, 2014, 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 $6,500. Given that the promissory note bears interest at a fixed rate, future cash flows related to the promissory note will not fluctuate due to changes in interest rate. However, changes to market interest rates expose the Company to variations in fair value.

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 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 milestone.
- 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.
- 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 and acquire a 65% interest in the Keweenaw Project.
- The Company is taking steps to verify title to the mineral properties in which it has an interest but at this time it cannot confirm ownership of all its mineral interests. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- There is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and the projects may not be economically viable.
- The Company's exploration activities are subject to certain environmental liabilities.
- The Company may not obtain all necessary permits to conduct its activities and operate a mine.
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources.
- The Company has no experience in mine production.
- The Company has no history of earnings and does not expect to receive revenues from operations in the foreseeable future; the Company may never achieve profitability, which may cause the market price of the Company's common shares to decline.
- 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 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 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 complete the proposed Offering at the expected price and size, and timing of completion of the Offering to fund 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, and plans to complete technical studies, a second phase drilling program and a resource estimate at White Pine North. 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.

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.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at February 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).