

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

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, 2017 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, 2016 ("**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, 2017 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2016 and 2015 (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, 2017.

All financial results presented in this Interim 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 projects located in Michigan's Upper Peninsula region. Highland's financial year-end is June 30 and its common shares trade on the TSX Venture Exchange ("TSXV") under the symbol HI.

The Company has assembled a number of advanced-stage copper projects, including **Copperwood**, a feasibility stage project, **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).

FINANCING

On March 24, 2017, the Company completed the fourth and final tranche of its previously announced private placement, raising a total of \$30 million by issuing 300 million units (the "Units") at \$0.10 per Unit (the "Offering"). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable to acquire one common share at \$0.15 for a period of 12 months from the respective closing date of each tranche of the Offering. Tranches 1, 2 and 3 closed on November 30, 2016, February 22, 2017 and March 17, 2017, respectively. In connection with the Offering, the Company paid finders' fees of \$948,129 and issued 1 million compensation warrants allowing the holder to acquire 1 million common shares of the Company at a price of \$0.10 until March 17, 2020.

As part of the Offering, Osisko Gold Royalties Ltd. ("Osisko") acquired a total of 43,000,000 Units, which combined with its previous holding now holds 15.2% of the issued and outstanding common shares in Highland. Greenstone Resources II LP ("Greenstone") acquired 80,700,000 Units and OMF Fund II (H) LP, a subsidiary of Orion Mine Finance ("Orion"), acquired 67,250,000 Units resulting in Greenstone and Orion holding respectively 17.5% and 14.6% of Highland's issued and outstanding common shares. As required by the TSXV, Highland obtained the written consent from holders of greater than 50% of the Company's common shares in support of Greenstone and Orion becoming control persons (on a partially diluted basis), as defined in the TSXV Policies.

Greenstone and Orion received participation rights to maintain their equity ownership level in future equity financings and a right to nominate a representative on a project steering committee. Greenstone also received nomination rights for the sale of Highland's production pro-rata to its shareholding, and Orion entered into an offtake agreement with the Company entitling Orion to purchase 15% of all concentrates to be produced at the Copperwood project. Orion also received a right of first refusal on any debt financing for the Copperwood project until September 17, 2018, excluding any royalty or stream financings. Osisko continues to have a right of first refusal on any other future debt financing.

The Company intends to use the proceeds from the Offering to update the feasibility study on the Copperwood project, to complete the acquisition of the White Pine project and for general corporate purposes.

At May 15, 2017, the Company has 459,148,153 common shares and 153,589,762 share purchase warrants issued and outstanding.

DRILLING PROGRAM AT COPPERWOOD

In February 2017, the Company commenced a 44-hole, 9,198 meters core drilling program at the Copperwood Project, designed to upgrade the current inferred resources at the eastern section of the deposit, obtain metallurgical samples for analysis and carry out geotechnical studies to refine the mining plan.

On April 6, 2017, drilling at the Copperwood Project was suspended due to an early onset of thawing and deteriorating ground conditions alongside County Road 519 in Gogebic County. At this site, drilling caused ground erosion, which is being restored by the Company supported by reputable environmental consultants. At the time that drilling was suspended, 22 drill holes and 4,553 meters had been completed, with one hole temporarily abandoned. All of the drilling at the Copperwood "main zone" at the western section of the deposit was completed. Assay samples for the available drill holes have been sent to Activation Laboratories in Thunder Bay, Ontario, for analysis. All samples for geotechnical testing have also been shipped to specialized laboratories. The Company expects to complete the suspended drilling program once ground conditions improve and it receives all required permits from the Michigan Department of Environmental Quality ("MDEQ"). Assay results will be released in due course.

COPPERWOOD FEASIBILITY STUDY

Soon after the completion of the Offering described above, the Company engaged G Mining Services Inc. as lead consultant for the preparation of an update to the Feasibility Study ("FS Update") on the Copperwood Project that had been completed in 2012. Other professional services firms will be engaged over time for their expertise in specified areas.

The objectives of the FS Update are to incorporate additional resources and reserves not included in the 2012 Copperwood feasibility study prepared by the previous owner, to explore alternative mining methods to determine the method that will generate the most value for the project (including the Caterpillar continuous mining RockStraight System), to update the infrastructure engineering and to produce an optimized flowsheet to maximize ore recoveries.

Qualified Person

The technical information in this MD&A has been reviewed and approved by Carlos Bertoni, P. Geo, Executive Vice President, Project Development of Highland, and a qualified person under Canadian National Instrument 43-101.

MANAGEMENT APPOINTMENTS

Denis Miville-Deschênes, as President and CEO

On February 22, 2017, the Company announced that Mr. Denis Miville-Deschênes had joined Highland as President and CEO and as a member of the Board of Directors. Mr. Miville-Deschênes is a mining engineer with over 30 years of experience in the design, development and construction of mines as well as closure and rehabilitation of sites. During his career which started with Falconbridge Copper and then with Cambior and Iamgold, Mr. Miville-Deschênes has worked on numerous technical studies and fourteen underground or open pit mining projects in North America, South America and Africa. He is recognized for his ability to establish dynamic work teams and operating at high standards.

Mr. David Fennell who has been acting as President and CEO on an interim basis remains Chairman of the Company.

David Charles, as Manager of Investor Relations and Business Development

On February 22, 2017, the Company also announced the appointment of Mr. David Charles as Manager, Investor Relations and Business Development. David Charles brings close to 30 years of experience in the financial services industry in Canada primarily as a senior mining equity analyst. Mr. Charles holds a bachelor's degree in geology from Trinity College Dublin, an MSc. (applied) in Mineral Exploration from McGill University and is a CFA charter holder.

OUTLOOK

With the completion of the Offering described in the *Financing* section, the Company is now fully financed to update the Copperwood Feasibility Study, which is the Company's main priority, expected to be completed by the end of June 2018. The Company also aims to finalize the acquisition of the White Pine Project as soon as is practicable and is evaluating other opportunities in Michigan.

OPERATING ACTIVITIES

In accordance with its accounting policy, the Company capitalized to exploration and evaluation assets an amount of cash-related expenses of \$1,844,411 during the three months ended March 31, 2017 (\$401,094 during the comparative period in 2016), including \$1,169,898 of direct drilling and site preparation expenses at the Copperwood Project, labour costs of \$252,121 and other general expenses of \$422,392.

During the three months ended March 31, 2017, the Company incurred a net loss of \$843,347 (nil per share) compared to a net loss of \$373,666 (nil per share) during the comparative period in 2016. Significant items included management and administration expenses of \$458,235 (\$314,335 during the comparative period in 2016), business development expenses of \$158,324 (\$48,325 in 2016) and an unrealized loss on foreign exchange of \$232,691 on the conversion of the Company's cash position held in US dollars at March 31, 2017 (an unrealized foreign exchange loss of \$7,796 in 2016).

Management and administration expenses increased during the three months ended March 31, 2017 due mostly to higher wages and fees to consultants following the hiring of senior corporate staff (wages and fees of \$305,486 during the current period compared to \$184,178 in 2016) and higher investor relations and travel expenses for attending key mining conferences and other investor relations events (\$43,109 during the current period compared to \$3,183 in 2016). Other management and administration expenses consisted of professional fees of \$44,027 (\$35,415 in 2016), office expenses of \$42,112 (\$54,035 in 2016), reporting issuer costs of \$19,196 (\$11,645 in 2016), and share-based compensation of \$4,129 (\$12,386 in 2015).

LIQUIDITIES AND CAPITAL RESOURCES

At March 31, 2017, the Company had a working capital of \$21,040,277, including a cash position of \$26,263,405, following the completion in March 2017 of the fourth and last tranche of the Offering, as described in the *Financing* section.

Although the Company estimates that its current working capital will be sufficient to carry-out its planned exploration and development work and to provide for management and administration expenses for the next 12 months, the Company will require additional funds to meet all existing commitments which are due after March 31, 2018 and to further pursue its exploration and development activities on all of its mineral properties. 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, 2017, the Company incurred administration expenses of \$29,499 and \$71,499, respectively (\$38,142 and \$224,158 during the comparative periods in 2016), 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, 2017, the Company recovered an amount of \$46,815 and \$110,163 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 (\$36,037 during the three and nine months ended March 31, 2016).

The remuneration awarded to key management personnel, including directors, the president and CEO, the executive vice-president and the CFO, during the three and nine months ended March 31, 2017 totaled \$256,503 and \$651,890, respectively (\$207,792 and \$528,866 in 2016).

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: risks of obtaining all necessary permits and regulatory approvals required to conduct its planned activities; risks of 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 caused by unusual or severe weather conditions which may negatively impact the Company's planned activities; risks relating to the requirement for additional funds to conduct exploration and development activities on its projects; risks that even if an economic deposit of minerals is located, it may not be commercially mined; and risks that copper 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. Certain risks are described in this Interim MD&A. 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 REGARDING FORWARD LOOKING INFORMATION

This Interim MD&A may contain "forward-looking information", within the meaning of Canadian securities laws, such as statements that describe the Company's future plans, objectives or goals. Specifically, this Interim MD&A includes, but is not limited to, forward-looking information regarding: the timing and results of the drilling program, the timing and results of the update of the Copperwood feasibility study, and the completion of the acquisition of the White Pine Project. There can be no assurance that such forward looking information will occur for various reasons including those risks described under Risks and Uncertainties above. 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 statements whether as a result of new information or future events or otherwise, except as may be required by law.

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) and on the Company's website (www.highlandcopper.com).