



MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED DECEMBER 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 December 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, 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 six months ended December 31, 2017 (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 February 16, 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 the comparability of financial information with 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 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.

The Company's primary objective is the completion of the Copperwood feasibility study update, which is 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 to continue the exploration program at the UPX Property.

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 December 31, 2017, the Company has a cash position of \$9.8 million, 467.5 million issued and outstanding common shares and 136.0 million share purchase warrants with an exercise price of C\$0.15 per share exercisable in February and March 2018.

COPPERWOOD PROJECT

Feasibility Study

The work required to update the 2012 feasibility study prepared by Orvana ("FS Update") on the Copperwood Project has progressed significantly during the reporting period. At December 31, 2017, the Company estimates that greater than 60% of the activities related to the preparation of the FS Update have been completed. The Company expects to release the results of the FS Update toward the end of the second quarter of 2018. Subject to receipt of the permits and funds required for the development of the Copperwood Project, the Company plans to begin construction in the second half of 2018.

G Mining Services Inc. ("G Mining") is lead consultant for the preparation of the FS Update. G Mining is also responsible for mineral resource modelling and estimation and mine design with geotechnical support from Golder Associates. Design of the processing facility is being completed by Lycopodium Minerals Canada of Toronto. Design of the tailings facility and water management systems is being done by Golder Associates. A thorough metallurgical test program is being completed at SGS Lakefield in Ontario, Canada on samples from all mineralized zones.

Infrastructure studies, including transportation, are being carried out internally. Various power alternatives are being studied. Raw water is available from nearby municipalities and the Company is also considering other sources of water. A portion of the environmental permitting applications is being handled internally, but the permitting lead and coordination is being performed by Foth Infrastructure and Environment, a Wisconsin-based engineering firm.

In early February 2018, the Company started a 2,700-meter drilling campaign at the eastern extension of the Copperwood deposit to essentially complete the program which began last winter but could not be completed due to an early spring thaw. The planned eight-holes are located in the Section 5 area of Gogebic County. The Company anticipates completing all of the drilling by mid-March 2018.

Updated Resource Estimate

On October 19, 2017, the Company reported an updated mineral resource estimate for the Copperwood Project prepared by G Mining. The updated mineral resource is estimated at 42.5 million tonnes grading an average of 1.59% copper and 3.9 g/t silver containing 1.5 billion pounds of copper and 5.4 million ounces of silver in the measured and indicated resource category, using a cut-off grade of 1.0% Cu. An additional 1.2 billion pounds of copper and 3.7 million ounces of silver has also been estimated in the inferred resource category, with most of these resources located in "satellite" deposits. This updated resource estimate provides a solid base for the FS Update described above. More detail on the updated mineral resource estimate was provided by the Company in a press release dated October 19, 2017.

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. For each of these geological domains, the Company's exploration team is carrying out a systematic compilation of significant historical data obtained with the acquisition of the UPX Property to better understand the potential of the property and is identifying exploration targets using ongoing geological mapping, rock and soil sampling programs, and interpretation of high-resolution magnetic data covering the full extent of the UPX Property. More detail on these activities has been provided by the Company in a press release dated November 21, 2017.

CORPORATE ACTIVITIES

Extension to complete the acquisition of the White Pine Project and the Keweenaw Project

In December 2017, the Company and CRC agreed to further extend the period to complete the acquisition of the White Pine Project to February 28, 2018. Also, in December 2017, the Company and BRP LLC agreed that the period required to provide a feasibility study on the Keweenaw Project be extended to December 31, 2018.

Exercise of warrants

On November 30, 2017, a total of 8,391,250 warrants exercisable at a price of C\$0.15, expiring on this date, were exercised for total proceeds of \$976,635 (C\$1,258,688). This amount represents 55.4% of the total share purchase warrants expiring on this date. Also, a total of 2,474,928 share purchase warrants with a maturity date of December 12, 2017 expired unexercised.

Appointment of a director

On October 26, 2017, the Board of Directors appointed Mr. Jean Desrosiers as a director of the Company. Mr. Desrosiers is a retired mining engineer with over 40 years of experience in the mining industry.

Grant of stock options

On October 26, 2017, the Company granted a total of 2,070,000 incentive stock options to a director, an officer and employees of the Company at an exercise price of C\$0.17 per share. All of the stock options will vest over a period of two years and, if not exercised, will expire five years from the date of the grant.

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 six months ended December 31, 2017, 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 \$133,600 related to the Copperwood Project and \$28,895 related to other properties. A total accretion amount of \$895,299 related to the non-interest bearing promissory note in favor of RTX and the non-interest-bearing balance of purchase price payable in favor of Orvana was also capitalized to exploration and evaluation assets during the six months ended December 31, 2017.

In 2016, 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 \$151,012 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 December 31, 2017 and 2016 are as follows:

	Copperwood	White Pine	UPX	Other	Three months ended Dec 31, 2017	Three months ended Dec 31, 2016
	Project	Project	Property	projects	Total	Total
	\$	\$	\$	\$	\$	\$
Site preparation, drilling and assaying	171,072	-	91,264	-	262,336	-
Labour	258,585	19,573	376,838	667	655,663	138,130
Studies and consultants	1,503,847	99,322	-	-	1,603,169	6,620
Office, overhead and other administrative costs	83,716	17,181	135,666	13,481	250,044	96,284
	2,017,220	136,076	603,768	14,148	2,771,212	241,034

OPERATING ACTIVITIES

During the three months ended December 31, 2017, the Company incurred a net loss of \$3,236,605 (\$0.01 per share) compared to a net loss of \$456,901 (nil per share) during the comparative period in 2016. Significant items during the period included exploration and evaluation expenses of \$2,771,212 as detailed above (\$241,034 in 2016), management and administration expenses of \$357,099 (\$179,009 in 2016), business development expenses of \$62,916 (nil in 2016), share-based compensation of \$134,274 following the grant of 9,025,000 stock options on August 28, 2017 and 2,070,000 stock options on October 26, 2017 (\$6,196 in 2016) and an unrealized gain on foreign exchange of \$74,656 on the conversion of the Company's cash position held in Canadian dollars at December 31, 2017 (an unrealized foreign exchange loss of \$6,714 in 2016).

Management and administration expenses increased during the three months ended December 31, 2017 due mostly to higher wages and fees to consultants following the hiring of senior corporate staff in early 2017 (wages and fees of

\$218,980 during the current period compared to \$130,154 in 2016) and higher investor relations and travel expenses related to various investor relations events (\$43,023 during the current period compared to \$4,565 in 2016). Other management and administration expenses consisted of professional fees of \$57,841 due mostly to higher legal fees (\$34,355 in 2016), office expenses of \$16,661 (\$6,020 in 2016) and reporting issuer costs of \$20,594 (\$3,915 in 2016).

LIQUIDITIES AND CAPITAL RESOURCES

At December 31, 2017, the Company had a working capital of \$5,941,180 compared to \$10,584,135 at June 30, 2017. The decrease in the working capital during the six months ended December 31, 2017 is mainly attributable to exploration and evaluation expenses of \$4,580,083, management and administration expenses of \$721,693, business development expenses of \$122,828, the acquisition of capital assets of \$93,140 (consisting mostly of leasehold improvements and the acquisition of vehicles and computer-related equipment), lease payments of \$162,495 related to the Copperwood Project and other mineral leases held, and the reimbursement of an amount of \$55,000 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 \$976,635 received following the exercise of 8,391,250 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 December 31, 2018. 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 six months ended December 31, 2017, the Company incurred administration expenses of \$7,728 and \$31,882, respectively (a recovery of \$3,358 and expenses of \$32,255 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 six months ended December 31, 2017, the Company recovered an amount of \$38,355 and \$72,171, 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 (\$31,727 and \$47,839 during the comparative periods in 2016).

The remuneration awarded to key management personnel, including directors, the president and CEO, the Vice President, Exploration and the CFO, during the three and six months ended December 31, 2017 totaled \$265,888 and \$602,698, respectively (\$159,386 and \$299,438 during the comparative periods 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: the ability of the Company to achieve its plans and objectives, including the development of a mine at its Copperwood project, as well as its ability to raise funds may be affected by the results of the ongoing feasibility study 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 prices of copper, lower than expected grades and quantities of resources, mining rates and recovery rates, legislative, environmental and other regulatory approval or political changes; 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; 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 result of the feasibility update on the Copperwood deposit, the timing of the acquisition of the White Pine Project, and the timing and potential results of the exploration program at the UPX Property are forward-looking statements. Forward-looking statements involve various risks and uncertainties some of which are described above. 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) and on the Company's website (www.highlandcopper.com).