

HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

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 September 30, 2016 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 months ended September 30, 2016 (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 November 29, 2016.

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. At November 29, 2016, the Company had 153,968,626 common shares issued and outstanding.

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).

HIGHLIGHTS FOR THE PERIOD

- On November 15, 2016, the Company announced that it plans to complete a non-brokered private placement of its securities comprised of up to 230 million units (the "Units") at \$0.10 per Unit, to raise up to approximately US\$17 million (\$23 million) (the "Offering"). Each Unit will consist 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 closing date of the Offering; the Company expects to close a portion of the Offering on November 30, 2016 and the balance on or about December 15, 2016, subject to certain conditions including but not limited to the receipt of all required regulatory approvals, including the approval of the TSXV;

- During the reporting period, David Fennell, the Company's chairman and interim president and CEO advanced funds of \$450,000 to ensure that critical payments to maintain the Company in good standing were being made; these advances bear interest at the rate of 1% per month on the principal amount; the principal amount and the accrued interest will be repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$10 million or upon demand at any time after June 30, 2017;
- Limited activities have been conducted on the Company's projects during the reporting period, given the Company's limited financial resources;
- In accordance with its accounting policy, the Company capitalized to exploration and evaluation assets an amount of cash-related expenses of \$516,000 during the three months ended September 30, 2016, including annual lease payments of \$144,000 related to the Copperwood Project, labor expenses of \$178,000 and other general expenses of \$194,000;
- The Company incurred a net loss of \$315,241 (nil per share) for the three months ended September 30, 2016 compared to a net loss of \$485,452 (nil per share) during the comparative period in 2015.

OUTLOOK

The Company anticipates completing the Offering by mid-December 2016, including a 1st tranche on or about November 30, 2016. Following completion of the Offering, the Company is planning to recommence its activities. The Company's objectives and priorities will be to:

- update the feasibility study of the Copperwood Project;
- re-engage discussions with the various stakeholders (i.e. CRC and the Michigan Department of Environmental Quality) with the aim of completing the acquisition of the White Pine Project, as soon as is practicable; and
- re-engage with the owner of certain mineral rights located at White Pine, for which the Company had entered into a 20-year lease agreement in April 2015, to settle payments of US\$450,000 that were due in April 2016.

OPERATING ACTIVITIES

During the three months ended September 30, 2016, the Company incurred a net loss of \$315,241 (nil per share) compared to a net loss of \$483,452 (nil per share) in 2015.

Management and administration expenses of \$308,555 incurred during the three months ended September 30, 2016 consisted mostly of wages and fees to consultants of \$183,525 (\$298,014 in 2015), audit, tax and regulatory fees of \$47,637 (\$91,655 in 2015), office expenses of \$59,308 (\$63,524 in 2015), depreciation and amortization of \$8,925 (\$5,170 in 2015) and share-based compensation of \$6,053 (\$9,915 in 2015).

The payment of the compensation to the Company's directors and officers continues to be deferred and will be settled upon completion of the Offering described in the *Highlights for the Period* section.

Other items in the net loss during the three months ended September 30, 2016 included a finance expense of \$3,300 (nil in 2015) related to the funds advanced by the Company's chairman and a non-cash accretion on environmental liability of \$2,965 (\$3,908 in 2015).

LIQUIDITIES AND CAPITAL RESOURCES

At September 30, 2016, the Company had a working capital deficiency of \$5,196,822, including a balance of purchase price related to the Copperwood Project of \$1,518,610 due in June 2017 and a loan of \$453,300 from the Company's chairman, advanced during the reporting period to ensure that critical payments to maintain the Company in good standing were being made. Additional advances of \$50,000 were made subsequent to September 30, 2016. The loan from the Company's chairman bears interest at the rate of 1% per month on the principal amount. The principal amount and accrued interest will be repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$10 million or upon demand at any time after June 30, 2017.

The Company's working capital deficiency at September 30, 2016 creates uncertainty regarding its ability to continue as a going concern. As described in the *Highlights of the Period* section, the Company announced on November 15, 2016 that it planned to complete the Offering to raise up to \$23 million. However, there is no assurance that the Company will be successful in raising such funds and if management is not successful in completing this Offering, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, it may be unable to complete the acquisition of the White Pine Project 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 months ended September 30, 2016, the Company incurred administration expenses of \$46,479 (\$113,977 in 2015), mainly for the use of office space and telecommunication services provided by Reunion Gold Corporation, a related party by virtue of common management. At September 30, 2016, the Company had an amount due to Reunion Gold Corporation of \$6,165 (\$25,543 at June 30, 2016). During the three months ended September 30, 2016, the Company recovered an amount of \$21,027 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 (nil in 2015).

The remuneration awarded to key management personnel, including directors, the chairman and interim president and CEO, the executive vice-president and the CFO, during the three months ended September 30, 2016 totaled \$182,782 (\$302,345 in 2015).

RISK AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties which include but are not limited to its current financial situation and the requirement for additional funds to settle its obligations and commitments, and to maintain its interest in its projects and pursue its planned exploration and development activities on all of its projects. 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.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Interim MD&A may contain “forward-looking information”, within the meaning of Canadian securities laws, about anticipated future events. Specifically, this Interim MD&A includes, but is not limited to, forward-looking information regarding: the completion of a non-brokered private placement in the amount and timing described in this MD&A; the completion of an update of the Copperwood feasibility study; the completion of the acquisition of the White Pine Project; and the settling of debts and various unpaid amounts. There can be no assurance that such forward looking information will occur for various reasons including: the Company being unable to complete the Offering as described or being unable to raise, through other means, the funds required to pursue its activities and finance its ongoing expenses due to market conditions, commodity prices or other factors; and the Company being unable to obtain all regulatory approvals and funds required to complete the acquisition of the White Pine Project. 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).