

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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 September 30, 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, 2018 ("**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, 2018 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2018 and 2017 (the "**Annual Financial Statements**") and the Company's Annual MD&A, including the section describing risks and uncertainties. All financial results presented in this Interim MD&A are expressed in US dollars unless otherwise indicated.

The effective date of this Interim MD&A is November 20, 2018.

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 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). The Company also holds a mineral exploration property covering approximately 448,000 acres in the Upper Peninsula region, referred to as **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 November 20, 2018, the Company has 472,933,689 common shares and 1,000,000 share purchase warrants issued and outstanding.

FINANCIAL CONDITION

At September 30, 2018, the Company had a working capital deficiency of \$2,977,149. The Company requires additional funds to settle its working capital deficiency, to meet all existing commitments, to complete the acquisition of White Pine (including an amount to replace the current environmental financial assurance bond), to provide for management and administration expenses for at least the next 12 months and to carry-out its planned development of the Copperwood project and other exploration activities. The Company's primary objective is to raise sufficient funds to ensure that working capital requirements are met for at least the next 12 months. The Company is also working to put in place a project financing package as soon as possible for the development of the Copperwood project. 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 strategic transactions or arrangements.

There can be no assurance that the Company will be able to raise the funds required. If the Company is not successful in raising additional funds, it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities, and / or sell some of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

COPPERWOOD PROJECT

Following the release of the updated feasibility study on the Copperwood project on June 15, 2018, and the subsequent filing on SEDAR of a technical report prepared in accordance with Canadian Securities National Instrument 43-101 *Standards of Disclosure for Mineral Properties* ("NI 43-101"), the Company moved forward with the finalization of the permitting process for the project. Based on the updated feasibility study, the Company filed amendment requests, renewals or new applications for all permits required to begin mine construction at Copperwood.

On October 30, 2018, the Company announced that its 100%-held Michigan subsidiary, Copperwood Resources Inc., had received the wetland, lakes and streams and Great Lakes submerged lands permit (Wetlands Permit) from the Water Resources Division of the Michigan Department of Environmental Quality ("MDEQ") for its Copperwood project located in the Upper Peninsula, Michigan, USA.

The Part 301-Inland Lakes and Streams, Part 303-Wetlands Protection and Part 325-Great Lakes Submerged Land applications process included a public comment period that began on June 27, 2018 and ended following a public hearing held in Ironwood, Michigan on July 17, 2018. After the review of comments received from public and tribal interests, as well as recommendations from the United States Environmental Protection Agency, the MDEQ developed the draft permit conditions which have been accepted by the Company. These conditions include the preservation of 717 acres of high-quality wetlands and 93 acres of forested upland in the headwaters area of the wild and scenic Black River; the creation of 18.3 acres of forested and emergent wetlands on-site at the Copperwood project; and stream mitigation by creating 13,700 feet of natural stream channel on-site at the Copperwood project and replacing a culvert on an Ontonagon County road that is blocking brook trout passage in a tributary of the Ontonagon River.

On October 24, 2018, a combined final public hearing was held in Ironwood, Michigan for the Part 632 Nonferrous Metallic Mining Permit amendment and the Part 55 Air Discharge permit. This public meeting was the last major step prior to the

grant of the Part 632 and Part 55 permits. The draft Part 315 Dam Safety Permit was issued and conceptually approved on November 9, 2018; approval of final engineering design plans and specifications by the MDEQ is required prior to start of construction. The Lake Superior Water intake application is presently being reviewed by the United States Army Corps of Engineers (USACE). A final report was submitted by Highland to the USACE in September 2018.

To date the permitting process has proceeded well and Company management believes that all required permits for the Copperwood project will be in hand by year-end.

Over the last few months, the Company has held numerous discussions with shareholders and financial institutions, including international banks, private equity groups, equipment suppliers and investment banks, to secure the capital required to develop the Copperwood project. The Company continues to evaluate with its advisors various financing scenarios, taking into account current and expected market conditions.

WHITE PINE PROJECT

On August 31, 2018, Highland and CRC agreed to further extend the period to complete the acquisition of the White Pine Project to November 30, 2018. The Company aims to finalize the acquisition of the White Pine Project as soon as is practicable. The closing is dependent on the Company obtaining all necessary approval from the MDEQ for the transfer of environmental obligation and posting of a letter of credit of approximately \$1.7 million for environmental remediation, and obtaining a third party consent for the transfer of certain contracts from CRC to the Company.

UPX PROPERTY

During the reporting period, the Company continued its systematic review and 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.

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

EXPLORATION AND EVALUATION EXPENSES

During the three months ended September 30, 2018, amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's accounting policy on exploration and evaluation expenses, included lease payments of \$51,250 related to the Copperwood project and \$2,000 related to other projects. A total accretion amount of \$444,603 related to the non-interest bearing promissory note in favour of the former owner of the UPX Property ("RTX") was also capitalized to exploration and evaluation assets during the period.

During the comparative period in 2017, the capitalized amounts included lease payments of \$86,250 related to the Copperwood project and \$2,000 related to other properties, and an accretion amount of \$438,076 related to the non-interest bearing promissory note in favour of RTX and the then 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-month period ended September 30, 2018 and 2017 are as follows:

	Copperwood	White Pine	UPX	Other	Three months ended Sept 30, 2018	Three months ended Sept 30, 2017
	Project	Project	Property	projects	Total	Total
	\$	\$	\$	\$	\$	\$
Labour	287,837	38,356	287,814	-	614,007	488,427
Studies and consultants	107,083	76,502	-	-	183,585	536,330
Drilling and assaying	1,460	-	34,271	3,750	39,481	559,591
Office, overhead and other administrative costs	81,147	48,850	88,134	(18,688)	199,443	224,523
	477,527	163,708	410,219	(14,938)	1,036,516	1,808,871

OPERATING ACTIVITIES

During the three months ended September 30, 2018, the Company incurred a net loss of \$1,659,222 (nil per share) compared to a net loss of \$2,699,366 (\$0.01 per share) during the comparative period in 2017. Significant items during the period included exploration and evaluation expenses of \$1,036,516 as detailed above (\$1,808,871 in 2017), management and administration expenses of \$473,992 (\$364,594 in 2017), share-based compensation of \$72,322 (\$188,704 in 2017), finance expense of \$35,500 on interest-bearing notes due (\$7,700 in 2017) and an unrealized loss on foreign exchange of \$38,867 on the conversion of the Company's cash position held in Canadian dollars at September 30, 2018 (an unrealized foreign exchange loss of \$288,830 in 2017).

Management and administration expenses increased during the three months ended September 30, 2018 due mostly to higher wages and fees to consultants following the hiring of additional corporate staff in the second half of fiscal year ended June 30, 2018 (wages and fees of \$284,871 during the current period compared to \$203,206 in 2017), higher professional fees mainly attributable to fees paid to a financial advisor (\$102,574 during the current period compared to \$91,495 in 2017) and higher investor relations and travel expenses related to various investor relations events (\$38,454 during the current period compared to \$25,945 in 2017). Other management and administration expenses consisted of office expenses of \$30,951 (\$35,575 in 2017) and reporting issuer costs of \$17,142 (\$8,373 in 2017).

LIQUIDITIES AND CAPITAL RESOURCES

At September 30, 2018, the Company had a working capital deficiency of \$2,977,149 compared to a working capital deficiency of \$1,228,720 at June 30, 2018. The decrease in the working capital during the three months ended on September 30, 2018 is mainly attributable to exploration and evaluation expenses of \$1,036,516, management and administration expenses of \$473,992, lease payments of \$53,250 related to the Copperwood project and other mineral leases held, the reimbursement of an amount of \$27,500 under a 4-year note payable related to certain mineral rights located in White Pine, Michigan and finance expense of \$30,000 related to the balance of purchase price payable to Orvana.

The Company requires 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 September 30, 2018.

The following table summarizes the contractual maturities of the Company's financial liabilities at September 30, 2018:

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,258,724	1,258,724	757,599	501,125	-	-
Note payable	247,500	247,500	55,000	55,000	137,500	-
Balance of purchase price payable	1,004,333	1,004,333	1,004,333	-	-	-
Promissory note	9,190,090	15,000,000	-	3,000,000	6,000,000	6,000,000
	11,700,647	17,510,557	1,816,932	3,556,125	6,137,500	6,000,000

RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2018, the Company incurred administration expenses of \$17,309 (\$23,554 during the comparative period 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 months ended September 30, 2018, the Company recovered an amount of \$64,535 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 (\$33,816 during the three months ended September 30, 2017). The remuneration awarded to key management personnel, including directors, the president and CEO, the Vice President, Exploration and the CFO, during the three months ended September 30, 2018 totaled \$214,676 (\$336,812 in 2017).

NEW ACCOUNTING STANDARD

The Company has adopted IFRS 9, *Financial Instruments*, effective July 1, 2018. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting.

The adoption of this standard did not have an impact on the Company's consolidated financial statements. There was no impact on carrying values and equity as at July 1, 2018 as a result of the adoption of the standard and there were no measurement differences on the Company's financial instruments.

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 relating to the availability of additional funds to meet all existing commitments and conduct exploration and development activities on its projects; 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); 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 REGARDING FORWARD-LOOKING INFORMATION

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 Company's ability to obtain the financing required to meet its commitments and continue its activities, the potential timing and result of the permit applications for the Copperwood project, the ability to complete 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.

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).