HIGHLAND Copper Company Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended June 30, 2018

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2018

*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 September 11, 2018, covers the years ended June 30, 2018 and 2017 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2018 and 2017 (the **"June 30, 2018 and 2017 consolidated financial statements"**). The June 30, 2018 and 2017 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**).*

All financial results presented in this 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 to facilitate the comparability of the Company's financial information with those of similar mining companies. All comparative financial information included in this 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 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). Also, in May 2017, the Company acquired from subsidiaries of the Rio Tinto Group a mineral property covering approximately 448,000 acres in the Upper Peninsula region, referred to as **UPX Property**.

Highland was incorporated under the *Business Corporations Act (British Columbia)* in 2006. Highland's common shares are listed on the TSX Venture Exchange ("**TSXV"**) under the symbol HI. On October 23, 2017, the Company's common shares started trading on the OTCQB Venture Marketplace (the "**OTCQB**"), a U.S. trading platform that is operated by the OTC Markets Group in New York. The Company trades on the OTCQB under the symbol "HDRSF".

At September 11, 2018, the Company has 472,933,689 common shares and 1,000,000 share purchase warrants issued and outstanding.

Financial Condition

At June 30, 2018, the Company had a working capital deficiency of $1,228,720. The Company requires additional funds to settle its working capital deficiency, to meet all existing commitments, to complete the acquisition of the White Pine property (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 exploration and development work, including the development of the Copperwood Project. 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 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 Feasibility Study

In May 2017, the Company had initiated the work required to update the 2012 feasibility study prepared by Orvana on the Copperwood Project. On June 15, 2018, the Company announced the results of the feasibility study (the "**Feasibility Study**") for its Copperwood Project and on July 31, 2018, the Company filed on SEDAR a technical report supporting the results of the Feasibility Study in accordance with Canadian Securities National Instrument 43-101 *Standards of Disclosure for Mineral Properties* ("**NI 43-101**").

The Feasibility Study was conducted by, and under the supervision of, G Mining Services Inc. ("**GMSI**") in collaboration with SGS Canada Inc. (Lakefield), Lycopodium Minerals Canada Ltd, Golder Associates Ltd. and Foth Infrastructure and Environment. The study provides a comprehensive overview of the Copperwood Project and defines an economically feasible, technically and environmentally sound project. The effective date of the Feasibility Study is June 14, 2018.

The Copperwood Project is located, by road, approximately 22.5 km to the north of Wakefield and 40 km from the town of Ironwood, both in Gogebic County, western Upper Peninsula, Michigan.

The Copperwood and its "satellite" deposits are hosted by the limbs of the northwest dipping Presque Isle Syncline within the Nonesuch Formation. The Nonesuch Formation contains two mineralized sequences, one located at the base, the Lower Copper Bearing Sequence ("**LCBS**"), and a stratigraphically higher one, the Upper Copper Bearing Sequence ("**UCBS**"), separated by poorly mineralized sediments with a variable thickness of 0.5 m to 6.0 m.

Feasibility Study assumptions used include an average copper price of $3.15 / lb, an average silver price of $16 per oz, treatment charges of $70 / tonne and refining charges of $0.07 / lb, an average copper payable rate of 95.8% and an average silver payable rate of 46.9%.

Summary Economics for the Copperwood Project

Summary Economics for the Copperwood Project	Total
Pre-tax NPV @8% ($M)	$ 162.1
Pre-tax IRR	21%
After-tax NPV@ 8% ($M)	$ 116.8
After-tax IRR	18%
Undiscounted After-Tax Cashflow (LOM) ($M)	$ 316.0
Payback Period from start of processing-years	3.2
Initial Capital expenditures ($M)	$ 275.0
LOM Sustaining Capital Expenditures ($M)	$ 156.5
LOM C-1 Cash Costs $/lb (net of bi-product)	$ 1.75
Nominal Process capacity mt/d	6,600
Mine Life-years	10.7
Annual Payable Metal Production	
Copper million pounds	61.7
Silver thousand ounces	100
LOM Average Process Recovery	
Copper %	86.0
Silver %	73.4

Copperwood Mineral Resources

GMSI prepared a Mineral Resource estimate for the Copperwood Project based on data provided up to and including April 12, 2018. The mineral estimate was prepared under the supervision of Réjean Sirois, P. Eng. of GMSI, an independent “qualified person” as defined in NI 43-101. Geovia GEMS™ and Leapfrog Geo™ software were used to facilitate the resource estimation process.

An 8-hole (2,550 meters) drilling program on and around Section 5, which aimed at completing the drill program initiated in 2017, was completed in March 2018 with results handed over to GMSI in early April 2018 for integration into the mineral resource model and subsequently incorporated in the updated mine plan included in the Feasibility Study.

Total estimated Measured and Indicated Mineral Resources of the Copperwood deposit are as follows:

1.0% Cu Cut-off Grade – April 30, 2018

Deposits	Resource Category	Tonnage (M t)	Copper Grade (%)	Silver Grade (g/t)	Copper Contained (M lbs)	Silver Contained (M oz)
LCBS	Measured	27.3	1.68	4.58	1,009	4.0
	Indicated	14.9	1.46	2.47	479	1.2
	M + I	42.2	1.60	3.84	1,488	5.2
	Inferred	1.6	1.18	1.55	43	0.1
UCBS	Measured	-	-	-	-	-
	Indicated	7.1	1.21	3.26	189	0.7
	M + I	7.1	1.21	3.26	189	0.7
	Inferred	-	-	-	-	-
Satellite LCBS	Inferred	34.4	1.17	2.29	888	2.5
Satellite UCBS	Inferred	15.5	1.12	5.92	384	3.0

Notes on Mineral Resources:

1) Mineral Resources are reported using a copper price of $3.00/lb and a silver price of $18/oz.
2) A payable rate of 96.5% for copper and 90% for silver was assumed.
3) The Copperwood Feasibility Study reported metallurgical testing with recovery of 86% for copper and 73.5% for silver.
4) Cut-off grade of 1.0% copper was used, based on an underground "room and pillar" mining scenario.
5) Operating costs are based on a processing plant located at the Copperwood site.
6) Assuming a $3.00/lb Cu price, a sliding scale 3.0% NSR royalty on the Copperwood Project is payable to leaseholders. Assuming closing of the acquisition of the White Pine Project, a 3% NSR royalty on the Copperwood Project payable to Osisko Gold Royalties Ltd. is reduced to a 1.5% NSR royalty.
7) Measured, Indicated and Inferred Mineral Resources have a drill hole spacing of 175 m, 250 m and 350 m, respectively.
8) No mining dilution and mining loss were considered for the Mineral Resources.
9) Rock bulk densities are based on rock types.
10) Classification of Mineral Resources conforms to CIM definitions.
11) The qualified person for the estimate is Réjean Sirois, P.Eng., Vice President Geology and Resources for GMSI. The estimate has an effective date of April 30, 2018.
12) Mineral Resources that are not mineral reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
13) LCBS: Lower Copper Bearing Sequence.
14) UCBS: Upper Copper Bearing Sequence.
15) The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as Indicated or Measured Mineral Resources.

Copperwood Mineral Reserves

The Mineral Reserves estimate was prepared by Carl Michaud, P. Eng. of GMSI, in accordance with the CIM Standards on Mineral Resources and Mineral Reserves. Mineral Reserves are based on Measured and Indicated Mineral Resources dated April 30, 2018 and do not include Inferred Mineral Resources. Measured and Indicated Mineral Resources are inclusive of Proven and Probable Reserves.

The Proven and Probable Reserves stated below were estimated based on these unconstrained Measured and Indicated Resources and the work carried out for the Feasibility Study.

Reserve by Category	Tonnes (M t)	Cu Grade (%)	Ag Grade (g/t)	Cu contained (M lbs)	Ag contained (M oz)
Proven	17.5	1.50	4.43	579.6	2.5
Probable	7.9	1.28	2.50	222.2	0.6
Proven & Probable	**25.4**	**1.43**	**3.83**	**801.8**	**3.1**

Notes:

1) The Mineral Reserves were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards for Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council May 10th, 2014.
2) Mineral Reserves are estimated at a cut-off grade of 1% Cu. The cut-off will vary depending on the economic context and the operating parameters.
3) Mineral Reserves are estimated using a long-term copper price of $3.00/lb and a silver price of $16.00/oz.
4) Assuming a $3.00/lb Cu price, a sliding scale 3.0% NSR royalty on the Copperwood Project is payable to leaseholders. Assuming closing of the acquisition of the White Pine Project, a 3% NSR royalty on the Copperwood Project payable to Osisko Gold Royalties Ltd. is reduced to a 1.5% NSR royalty.
5) Mineral Reserves are estimated using an ore loss of 3%, a dilution of 0.1 m for the floor and a 0.25 m for the back of the stope and the development.
6) The economic viability of the mineral reserve has been demonstrated.
7) A minimum mining height of 2.1 m was used.
8) The copper recovery was estimated at 86%.
9) The qualified person for the estimate is Carl Michaud, P. Eng., Underground Engineering Manager for GMSI. The estimate has an effective date of May 25, 2018
10) The number of metric tonnes was rounded to the nearest thousand. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in NI 43-101.

Mine Operations

In the Feasibility Study, it is proposed to mine the deposit with a conventional highly mechanized, drill and blast room-and-pillar mining method. The method consists of the extraction of a series of entries and cross-cuts in the ore, leaving pillars in place to support the back. The mine will be accessed via covered box-cut to establish a portal at the mine entrance from the surface, located at the central-west part of the deposit. The mine consists of two mining sectors: West and East. The western part, being higher grade with a thicker mineralized zone, will be mined in priority.

The LOM concentrate production for the Copperwood Project is estimated at 1.264 million dmt at a grade of 24.7% Cu. Payable copper production is estimated at 300,000 tonnes (660 million pounds) with an annual average of 28,000 tonnes (61.7 million pounds) over the 10.7-year mine life which includes a 3-month commissioning and ramp-up period. The average payable rate is 95.8% which includes a 0.2% concentrate loss. Payable silver production over the LOM is 1.1 million ounces with an annual average of 101,000 ounces of silver.

Environment and Permitting

Environmental baseline studies were done for the Copperwood Project from late 2008 through the spring of 2011. These studies were used to identify existing and historical conditions in the project area and select potential siting of infrastructures based on an environmental management and permit approvals perspective.

An Environmental Impact Assessment was prepared to comply with the State of Michigan requirements of Part 632 of Act No. 451 of the Public Acts of 1994 as amended. This document outlines the baseline monitoring and studies conducted for the Copperwood Project including the natural, social, economic, cultural, and historical aspects of the environment that may be potentially impacted by the project design.

In order to construct and operate the Copperwood Project, a number of permits must be obtained and agreed upon between Highland and environmental regulatory agencies on both the state and federal levels. Highland maintains an open and proactive approach with both state and federal regulators. The major environmental permits required to develop the Copperwood Project include: Part 632 Non-Ferrous Metallic Mining Permit; Part 31 National Pollutant Discharge Elimination System Permit; Part 55 Air Permit to Install; Part 301 Inland Lakes and Streams Permit; Part 303 Wetland Permit; Part 315 Dam Safety Permit; Part 325 Great Lakes Submerged Lands Permit; and Section 10 US Army Corps of Engineers Water Intake Permit. Highland has filed amendment requests, renewals or new applications (as applicable) for these permits and expects to have all required permits by the end of 2018.

Operating Cash Flow

Operating Cash Flow	LOM ($M)	$/t ore	$/lb Cu Payable
Cu Revenue	2,047	81.92	3.15
Ag Revenue	17	0.67	0.03
Total revenues	2,064	82.59	3.17
Concentrate Transportation Costs	94	3.75	0.14
Treatment & Refining Charges	149	5.96	0.23
Net Smelter Return	1,821	72.88	2.80
Royalties	85	3.39	0.13
Mining Costs	531	21.26	0.82
Processing Costs	308	12.31	0.47
G&A Costs	72	2.88	0.11
Total OPEX (incl. royalties)	**996**	**39.84**	**1.53**
Operating Cash Flow	**826**	**33.03**	**1.27**

Sensitivity Analysis

Variance	After-Tax Results NPV 0% ($M)	NPV 8% ($M)	IRR (%)	Payback (yrs)
Metal Price Sensitivities				
20%	655.1	318.8	31.9%	2.1
10%	486.1	218.1	25.3%	2.5
0%	316.0	116.8	18.0%	3.2
-10%	145.6	15.4	9.5%	5.2
-20%	-31.8	-89.2	0.0%	10.5
Initial Capital Cost Sensitivities				
20%	266.1	70.2	13.2%	3.9
10%	290.8	93.3	15.4%	3.5
0%	316.0	116.8	18.0%	3.2
-10%	341.4	140.4	21.1%	2.8
-20%	366.8	164.0	24.7%	2.5
Operating Cost Sensitivities				
20%	150.7	22.8	10.3%	4.2
10%	233.5	69.8	14.4%	3.6
0%	316.0	116.8	18.0%	3.2
-10%	398.6	163.9	21.3%	2.9
-20%	481.2	210.9	24.3%	2.6

Project Timeline

Subject to receipt of all necessary permits and the Company completing the required financing, construction could begin in January 2019. A 24-month construction period would see commissioning in the first quarter of 2021, with commercial production beginning in the second quarter of 2021.

Project Timeline	Total
Construction and commissioning (months)	27
Mine development (months)	20
Commercial production (yrs)	10.7
Closure (months)	27

Opportunities to Increase the Value of the Copperwood Project

Highland and its consultants have identified a number of opportunities to increase the value of the Copperwood Project. These include upgrading inferred mineral resources, increasing mine productivity utilizing innovative continuous mining technologies, conducting further geotechnical studies to optimize ore recovery and minimize mining dilution, reviewing tailings disposal alternatives, and conducting additional testing to maximize metallurgical recoveries.

Remaining commitments and contingencies related to the Copperwood Project

In June 2014, the Company had acquired 100% of the Copperwood Project from Orvana for a cash consideration of $20 million. As part of the acquisition of the Copperwood Project, the Company paid in cash as additional consideration an amount of $1.25 million on June 17, 2017 and was required to pay in cash or shares of Highland, at Orvana's option, an additional amount of $1.25 million on June 17, 2018. On May 28, 2018, the Company and Orvana amended the repayment terms of the final amount due and as such, a payment of $250,000 was made on June 17,2018. The remaining amount of $1,000,000 bears interest at a rate of 12% per annum and is repayable in cash at the earlier of (a) 10 days after the closing of an equity financing by the Company of at least $4,000,0000 and (b) November 30, 2018. If the amount due of $1,000,000 is not repaid by November 30, 2018, the unpaid amount will bear interest at the rate of 15% per annum from then on and the Company will be required to pay a 2% penalty amount to Orvana.

An amount of $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 $4.25/lb; and an additional payment of $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 $4.50/lb.

Osisko royalty and option to purchase silver production

On June 30, 2016, the Company and Osisko Gold Royalties Ltd. ("**Osisko**") amended the terms of their agreement entered into in December 2014 and converted a C$10 million deposit on sale of royalty into a 3.0% net smelter return ("NSR") royalty on all metals produced from the mineral rights and leases associated with the Copperwood Project. The amendment also provided that upon final closing of the acquisition of the White Pine Project, the Company will grant to Osisko a 1.5% NSR royalty on all metals from the White Pine North Project, and Osisko's 3.0% NSR royalty on the Copperwood Project will be reduced to 1.5%. To secure the payment of the NSR royalty, Osisko has a general security over all of the Company's assets except the UPX Property.

In December 2014, the Company had also granted to Osisko an option to purchase for $26 million a 100% NSR on any future silver production from the Company's projects, including the White Pine, Copperwood and Keweenaw projects. Osisko may elect to exercise the option to purchase the silver production by paying $26 million to the Company within 60 days following the delivery to Osisko of a feasibility study on the Michigan Projects.

White Pine North Project

In May 2014 (the interim closing date), the Company entered into an agreement to acquire from CRC, all of CRC's rights, title and interest in mineral and surface rights forming the White Pine Project. The Company issued to CRC at that time 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 $0.005 (one half of one cent) per pound for the first one billion pounds of proven and probable reserves of copper and $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 $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 MDEQ. At that time, Highland will assume all of CRC's environmental liabilities related to the former White Pine mine site and will also be responsible for all on-going environmental obligations. 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.

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 began in 1952. Production from 1952 to 1995 was 198,070,985 short tons of ore averaging 1.14% copper for approximately 4.5 billion pounds of copper. 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 mineral resource was completed in October 1995 by the former White Pine chief geologist based on 526 diamond drill holes. The total historical estimate at that time was 118.7 million short tons averaging 20.7 pounds of copper per ton, for approximately 2.5 billion pounds of contained copper.

The resources reported for the White Pine North are provided as historical data only. A qualified person has not completed the work necessary to verify the quality of the historic exploration data or to classify the historical estimate as current mineral resources or mineral reserves. The Company is not treating the historical estimate as current mineral resources or mineral reserves and the historical data should not be relied upon until they have been verified.

Highland intends to develop a conceptual approach to mine development at the White Pine North Project in the near future. Based on the historical resource estimate already identified at the White Pine North deposit, this Project represents a significant medium-term copper production growth opportunity for the Company.

Mineral Lease Agreement, White Pine, Michigan

In April 2015, the Company entered into an agreement to lease certain mineral rights located in White Pine from a private Michigan limited liability corporation under which the Company was required to make payments of $225,000 on closing, and $425,000 and $150,000 on the first and second anniversary of closing. On December 30, 2016, the Company entered into an amended agreement with the lessor to revise the payment schedule of the remaining amount of $575,000 owed by the Company to the Lessor. Under the terms of the amended agreement, the Company paid an amount of $135,000 on December 30, 2016 and agreed to pay the balance of $440,000 in sixteen equal quarterly principal amounts of $27,500, plus interest accruing at the rate of 8% per annum until December 2020. The mineral lease is for 20 years, with an option for an additional five years. Annual lease payments are $25,000 for the first five years, $30,000 for the sixth and seventh years and $1,000,000 thereafter.

Keweenaw Project

The Keweenaw Project, which covers an area of approximately 9,000 acres, includes the 543S deposit. Under a Mining Venture Agreement with BRP dated July 2011 and subsequently amended, the Company has an option to acquire a 65% interest in the Keweenaw Project by spending $11,500,000 in exploration work (which amount has been spent), providing a feasibility study by December 31, 2018 and securing historical shafts. At June 30, 2018, the Company has written-down to nil the costs related to the Keweenaw Project (an amount of $654,405 was charged to the consolidated statement of comprehensive loss during the year ended June 30, 2018) as the Company does not plan to conduct any significant work on this property in the near term.

UPX Property

In May 2017, UPX Minerals Inc. ("**UPX**"), a wholly owned subsidiary of Highland, acquired from Kennecott Exploration Company and Rio Tinto Nickel Company ("**RTX**"), subsidiaries of the Rio Tinto Group, a mineral property located in central Upper Peninsula of Michigan. The UPX Property is comprised of non-contiguous mineral rights covering approximately 1,800 square kilometers (448,000 acres).

The consideration for the acquisition of the UPX Property was $18.0 million of which $2.0 million was paid at closing and UPX issued a $16 million secured non-interest bearing promissory note (the "**Note**") that provides for the payment of $1.0 million on the first anniversary of the acquisition (paid on May 30, 2018) and $3.0 million on each of the second, third, fourth, fifth and sixth anniversary dates of the acquisition. The payments under the Note will be accelerated if Highland publicly releases a feasibility study covering any portion of the UPX Property. The Note is secured by a first priority security interest over the acquired property. RTX has retained a 2% NSR on all mineral interests. Highland has an option to buy-down half of the 2% NSR by paying $8 million to RTX. The option will be exercisable at any time prior to May 30, 2028.

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.

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

Qualified Persons

The technical information related to the Copperwood Project Feasibility Study has been reviewed and approved by Sylvain Collard, P. Eng., General Manager, Michigan Operations and a qualified person under NI 43-101.

Corporate activities

Board Appointment

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. During his career, Mr. Desrosiers has held senior management positions with Noranda, Falconbridge, Xstrata and Glencore Xstrata.

Exercise of Warrants

During the year, the Company issued a total of 13,785,536 common shares following the exercise of an equivalent number of share purchase warrants at a price of C$0.15 per share for total proceeds of $1,609,628 (C$2,067,830). A total of 138,804,226 unexercised share purchase warrants expired during the year. At June 30, 2018, there are 1,000,000 warrants outstanding exercisable at a price of Can $0.15 per share, expiring in March 2020.

Grant of Stock Options

During the year ended June 30, 2018, the Company granted a total of 12,045,000 incentive stock options to directors, officers, employees and consultants of the Company at an average exercise price of C$0.12 per share. These stock options will vest over two years and, if not exercised, will expire five years from their grant date. At June 30, 2018, there are 15,200,000 stock options outstanding exercisable at an average price of C$0.17 per share, expiring at various dates until May 2023.

Rights of Certain Shareholders

Between November 30, 2016 and March 24, 2017, the Company completed in four tranches a non-brokered private placement of units (common shares and warrants) for gross proceeds of $22,492,787 (C$30,022,967). As part of this financing, Greenstone Resources II LP ("**Greenstone**"), Osisko and OMF Fund II (H) LP, a subsidiary of Orion Mine Finance, ("**Orion**") acquired such number of units resulting in Greenstone, Osisko and Orion holding respectively 17.5%, 16.0% and 14.6% of the issued and outstanding common shares of the Company at that time. 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 has the right of first refusal on any other debt financing by the Company. So long as they hold not less than 10% of the issued and outstanding number of shares of the Company, Greenstone, Osisko and Orion each have participation rights to maintain their equity ownership level in future equity financings.

Exploration and Evaluation Assets

Amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's accounting policy on exploration and evaluation expenses, are as follows:

	Copperwood Project	White Pine Project	UPX Property	Other properties	Total
	$	$	$	$	$
Year ended June 30, 2017					
Property payments in cash	110,510	150,000	9,885,288	24,412	10,170,210
Finance expense	272,834	-	131,242	-	404.076
Effect of foreign exchange	-	-	-	3,821	3,821
	383,344	150,000	10,016,530	28,233	10,578,107
Year ended June 30, 2018					
Property payments in cash	**186,100**	**25,000**	**-**	**28,895**	**239,995**
Finance expense	**110,233**	**-**	**1,739,727**	**-**	**1,849,960**
Write-down	**-**	**-**	**-**	**(654,405)**	**(654,405)**
Effect of foreign exchange	**-**	**-**	**-**	**8,549**	**8,549**
	296,333	**25,000**	**1,739,727**	**(616,961)**	**1,444,099**

The amounts capitalized during the year ended June 30, 2018 included lease payments of $186,100 related to the Copperwood Project and $28,895 related to other properties, a total accretion expense of $1,849,960 related to the non-interest-bearing promissory note in favor of RTX and the balance of purchase price payable in favor of Orvana until June 17, 2018 and an unrealized loss on foreign of exchange of $8,549. At June 30, 2018, the Company wrote-down its amount capitalized on the Keweenaw Project, as the Company does not plan to conduct any significant work on this property in the near term. In 2017, the amounts capitalized included the acquisition cost of the UPX property for an amount of $9,885,288 (which consist of the amount of $2,000,000 paid at closing and the fair value of the non-interest bearing note of $16,000,000 payable over a period of 6 years in favor of the vendor, using a discount rate of 20%), lease payments of $110,510 related to the Copperwood Project and $24,412 related to other properties, the balance of the additional payment of $150,000 owing to the lessor of mineral rights in White Pine, a total accretion amount of $404,076 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 and an unrealized loss on foreign of exchange of $3,821.

Exploration and evaluation expenses charged to the statements of comprehensive loss during the years ended June 30, 2018 and 2017 are as follows:

	Copperwood Project	White Pine Project	UPX Project	Other projects	Year ended June 30, 2018 Total	Year ended June 30, 2017 Total
	$	$	$	$	$	$
Site preparation, drilling and assaying	**1,181,703**	**-**	**205,004**	**-**	**1,386,707**	1,152,422
Labour	**999,444**	**118,511**	**1,327,165**	**5,313**	**2,450,433**	857,770
Studies and consultants	**3,587,107**	**249,402**	**-**	**-**	**3,836,509**	412,543
Office, overhead and other administrative costs	**308,775**	**135,932**	**434,349**	**31,536**	**910,592**	451,535
	6,077,029	**503,845**	**1,966,518**	**36,849**	**8,584,241**	2,874,270

Selected Consolidated Financial Information (1)(2)

The following selected financial information should be read in conjunction with the Company's June 30, 2018 and 2017 consolidated financial statements.

Financial Position	**June 30, 2018**	June 30, 2017
	$	$
Cash	**3,487,847**	14,061,705
Working capital (deficiency)	**(1,228,720)**	10,584,135
Exploration and evaluation assets	**31,795,832**	30,351,733
Total assets	**35,679,441**	44,578,597
Non-current portion of promissory note	**6,244,239**	7,710,686
Non-current portion of note payable	**165,000**	275,000
Shareholders' equity	**24,045,201**	33,302,320

Comprehensive Loss	**Year ended June 30, 2018**	Year ended June 30, 2017 *(3)*	Year ended June 30, 2016 *(3)*
	$	**$**	$
Net loss for the year	**(11,571,693)**	(4,482,540)	(3,006,281)
Basic and diluted loss per share	**(0.02)**	(0.02)	(0.02)
Cash Flows			
Operating activities	**(10,668,437)**	(4,643,810)	(3,233,927)
Investing activities	**(366,772)**	(2,306,701)	(171,175)
Financing activities	**249,628**	20,769,215	2,743,109

1) The Selected Consolidated Financial Information was derived from the Company's June 30, 2018 and 2017 consolidated financial statements, prepared in accordance with IFRS.

2) The Company's June 30, 2018 and 2017 consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities, including raising additional funds and completing the acquisition of the White Pine Project. 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 further 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. These conditions and uncertainties indicate the existence of a material uncertainty that may cast 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 June 30, 2018 and 2017 consolidated financial statements, adjustments which could be material would be necessary to the carrying value of assets and liabilities, in particular an impairment of exploration and evaluation assets, as well as adjustments to reported expenses.

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares. Any future dividend payments will depend on the Company's financial needs to fund its exploration and development programs and any other factor that the board of directors may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

Change in presentation currency

Prior to July 1, 2017, the Company reported its annual and quarterly consolidated statements of financial position, comprehensive loss, shareholder's equity and cash flows in Canadian dollars. Effective July 1, 2017, the Company changed its reporting currency to the United States dollar to facilitate the comparability of the Company's financial information with those of similar mining companies. In accordance with International Accounting Standard 21, *The Effects of Changes in Foreign Exchange Rates*, the Company's consolidated financial statements for all periods presented have been translated into US dollars and all comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars.

Financial Review

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

Year ended June 30, 2018 compared to year ended June 30, 2017

The Company incurred a net loss of $11,571,693 ($0.02 per share) during the year ended June 30, 2018 compared to a net loss of $4,482,540 ($0.02 per share) in 2017.

The increased loss in 2018 is mostly due to the increased exploration and evaluation expenses incurred ($8,584,241 in 2018 compared to $2,874,270 in 2017). In 2018, the Company incurred higher studies expenses related to the preparation of the Copperwood Feasibility Study ($3,836,509 in 2018 compared to $412,543 in 2017) and additional labor costs due to the hiring of additional staff to support the completion of the Copperwood Feasibility Study and to conduct exploration activities on the UPX Property ($2,450,433 in 2018 vs $857,770 in 2017).

Management and administration expenses of $1,698,615 in 2018 compared to $1,048,024 in 2017 reflect higher wages and fees following the hiring of additional corporate staff (wages and fees of $1,032,772 in 2018 compared to $700,716 in 2017), higher professional fees due mostly to increased legal fees ($271,862 in 2018 compared to $139,339 in 2017), and higher investor relations and travel expenses related to attending key mining conferences and other investor relations events and listing fees on the OTCQB ($209,881 in 2018 compared to $72,073 in 2017).

Share-based compensation totaled $503,512 in 2018 ($20,318 in 2017) following the grant of 12,045,000 options to employees, directors, officers and consultants of the Company in August 2017, October 2017 and May 2018.

At June 30, 2018, the Company has written-down to nil the costs related to the Keweenaw Project ($654,405) as it does not plan to conduct any significant work on this project in the near term.

The Company incurred a finance expense of $31,833 in 2018 ($17,050 in 2017) related to the interest-bearing note payable owed to the lessor of certain mineral rights located in White Pine and the balance of the purchase price payable to Orvana.

During the year, the Company realized $112,343 ($39,270 in 2017) in finance income on liquidities held following the completion of private placements during the year ended June 30, 2017.

4th quarter ended June 30, 2018 compared to the 4th quarter ended June 30, 2017

During the 4th quarter ended June 30, 2018, the Company incurred a net loss of $2,700,885 ($0.01 per share), compared to a net loss of $1,447,412 (nil per share) during the 4th quarter ended June 30, 2017. The increased loss during the 4th quarter ended June 30, 2018 compared to 2017 is mainly due to increased exploration and evaluation expenses of $575,389 related to the Copperwood Project Feasibility Study, increased management expenses of $162,499 due to the hiring of additional corporate staff, the write-down in the amount of $654,405 related to the Keweenaw Project, share-based remuneration of $98,831 following the grant of stock options in 2017 and 2018, partially offset by an unrealized gain on foreign exchange of $73,479, compared to a loss of $110,069 in 2017, on the conversion of the cash and cash equivalents held in US dollars by Highland at June 30, 2018.

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	$	$	$
June 30, 2018	26,127	2,700,885	(0.01)
March 31, 2018	25,545	2,934,837	(0.01)
December 31, 2017	31,933	3,236,605	(0.01)
September 30, 2017	28,738	2,699,366	(0.00)
June 30, 2017	31,376	1,447,412	(0.00)
March 31, 2017	6,724	2,035,614	(0.01)
December 31, 2016	1,143	456,901	(0.00)
September 30, 2016	27	542,613	(0.00)

Liquidity and Capital Resources

At June 30, 2018, the Company had a working capital deficiency of $1,228,720 compared to a working capital of $10,584,135 at June 30, 2017. The decrease in the working capital during the year ended June 30, 2018 is mainly attributable to exploration and evaluation expenses of $8,584,241, management and administration expenses of $1,698,615, business development expenses of $182,373, the acquisition of capital assets of $126,777 (consisting mostly of leasehold improvements and the acquisition of vehicles and computer-related equipment), lease payments of $239,995 related to the Copperwood Project and other mineral leases held, the reimbursement of an amount of $110,000 under a 4-year note payable related to certain mineral rights located in White Pine, Michigan, the reimbursement of an amount of $250,000 under the balance of purchase price payable to Orvana, the reimbursement of an amount of $1,000,000 under the promissory note due to RTX, with all such expenditures partially offset with the proceeds of $1,609,628 received following the exercise of 13,785,536 share purchase warrants.

In November 2017, February 2018 and March 2018, the Company issued a total of 13,785,536 common shares following the exercise of an equivalent number of share purchase warrants at a price of C$0.15 per share for total proceeds of $1,609,628 (C$2,067,830).

During the year ended June 30, 2017, the Company had completed a private placement, which resulted in the issuance of 300,229,670 units (each unit comprising one common share and one half of one common share purchase warrant) at a price of C$0.10 per unit for total gross proceeds of $22,492,787 ($30,022,967), partially offset by share issue expenses of $799,990.

The Company will require additional funds to settle its working capital deficiency, to meet all existing commitments, to provide for management and administration expenses for the next 12 months and to further pursue exploration and development activities on its mineral properties, including the development of the Copperwood Project. 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. 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 additional 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.

Capital Management

The Company defines capital that it manages as loans (including note payable, promissory note and balance of purchase price payable) 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 June 30, 2018, managed capital was $34,320,021 ($42,832,847 at June 30, 2017). There were no changes in the Company's approach to capital management during the year ended June 30, 2018. The Company is not subject to any externally imposed capital requirements as at June 30, 2018.

Off-Balance Sheet Arrangements

At June 30, 2018, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the year ended June 30, 2018, the Company incurred administration expenses of $67,151 for office-related services provided by Reunion Gold Corporation ("**Reunion**"), a related party by virtue of common key management and director (administration expenses of $76,474 from Reunion in 2017).

During the year ended June 30, 2018, the Company recovered amounts of $186,010 for management services provided to other TSXV-listed companies, related by virtue of common key management, including Odyssey Resources Limited and Reunion (an amount of $114,696 was recovered during the year ended June 30, 2017). The services are provided at cost. At June 30, 2018, the Company had an amount receivable from Odyssey Resources Limited of $3,935 included in prepaid expenses and other on the consolidated statements of financial position (nil at June 30, 2017).

Remuneration to directors and key management of the Company, including the Executive Chairman, the President and CEO and the CFO, totaled $946,883 during the year ended June 30, 2018 ($705,592 in 2017), as more fully detailed in Note 16 to the June 30, 2018 and 2017 consolidated financial statements filed on SEDAR.

Outstanding Share Data

At September 11, 2018, the Company has 472,933,689 common shares issued and outstanding, 1,000,000 share purchase warrants exercisable at a price of $0.15 per share until March 17, 2020, and 15,200,000 stock options outstanding with an average exercise price of $0.17, expiring at various dates until May 2023.

Basis of Presentation of Financial Statements

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's consolidated financial statements are consistent with those of the previous year. The significant accounting policies of Highland are detailed in Note 3 to the June 30, 2018 and 2017 consolidated financial statements filed on SEDAR.

Significant accounting judgments and estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from the assumptions made, include title to mineral property interests, exploration and evaluation assets, fair value of liabilities, environmental liability and going concern. Details of the significant accounting judgments and estimates are presented in Note 3 to the June 30, 2018 and 2017 consolidated financial statements filed on SEDAR.

Accounting Standards Issued but not yet Applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements that are expected to be relevant to the Company are presented in Note 3 to the June 30, 2018 and 2017 consolidated financial statements filed on SEDAR.

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 has no history of earnings and has limited financial resources. The Company does not expect to receive revenues from operations in the foreseeable future, if at all. 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.

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

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**1,356,742**	**1,356,742**	**855,617**	**501,125**	**-**	**-**
Note payable	**275,000**	**275,000**	**55,000**	**55,000**	**165,000**	**-**
Balance of purchase price payable	**1,004,333**	**1,004,333**	**1,004,333**	**-**	**-**	**-**
Promissory note	**8,745,487**	**15,000,000**	**-**	**3,000,000**	**6,000,000**	**6,000,000**
	11,381,562	**17,636,075**	**1,914,950**	**3,556,125**	**6,165,000**	**6,000,000**

Credit Risk

Credit risk is the risk that the Company will incur losses due to the non-payment of contractual obligations by third parties. The Company is exposed to credit risk with respect to cash and cash equivalents which are mainly held in accounts with a major Canadian-based chartered bank.

Interest Rate Risk

The Company's interest rate risk relates to cash and cash equivalents. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest-bearing accounts with a major Canadian-based chartered bank. The Company regularly monitors compliance to its cash management policy. Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately $35,000.

Currency Risk

In the normal course of operations, the Company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of each of the entities within the consolidated group. The currency in which these transactions are denominated are primarily the Canadian and the US dollar. 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 June 30, 2018, financial assets and liabilities denominated in a foreign currency consisted of cash and cash equivalents of $3,155,805 and accounts payable and accrued liabilities of $37,639. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately $312,000.

Other Risks and Uncertainties

Highland is subject to a number of significant risks and uncertainties due to the nature of its business which includes the acquisition, exploration and development of mineral projects. Failure to successfully address such risks and uncertainties could have a significant negative impact on Highland's overall operations and financial condition and could materially affect the value of Highland's assets and impact its future operating results and business plans. Therefore, an investment in the securities of Highland involves significant risks and should be considered speculative. The risks and uncertainties described below are not necessarily the only ones that Highland could be facing. Additional risks or uncertainties not presently known to Highland or that Highland currently considers immaterial may also impair its business operations. Highland cannot give assurance that it will successfully address these risks. Readers should carefully consider these risks and uncertainties.

Requirement for additional capital

The ability of Highland to achieve its plans and objectives is dependent on its ability to raise sufficient amounts of capital through equity financings, debt financings, joint venturing of projects, sale of projects and / or other means.

Highland requires substantial amount of funds to continue its planned activities including: a) for the development of its Copperwood Project and to place it into commercial production; if adequate financing is not available, the construction of the Copperwood mine and the commencement of production may be delayed indefinitely; b) to complete the acquisition of the White Pine Project, Highland requires funds to replace an environmental bond posted by CRC in relation with the remediation and closure plan of the historical White Pine mine site; if adequate financing is not available, the acquisition of the White Pine Project may be delayed or not be completed; c) to conduct exploration programs on its UPX Property and to repay the outstanding principal of a secured promissory note under which annual payments of $3.0 million will be due in May of each of the years 2019 to 2023; if adequate financing is not available, exploration programs may be delayed and RTX could enforce its rights under the secured promissory note and repossess the RTX Property; and d) for general and administrative expenses.

Highland's ability to raise the necessary funds depends in part upon the market's perception of its mineral projects including the results of the Copperwood Feasibility Study, the price of and demand for copper and other metals, the results of exploration programs, the state of the market to finance resource projects and global market conditions in general. No assurance can be given that additional capital will be available at all or available on terms acceptable to Highland.

Other Company Specific Risks

- The mineral resources and mineral reserves of the Copperwood deposits are estimates and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be inaccurate. Actual recoveries of copper from a deposit may be lower than those indicated by test work. Any material change in the quantity of mineralization, grade or stripping ratio may affect the economic viability of the Copperwood Project. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- The market price of Highland's common shares, the Copperwood resource and reserve estimates, the assumptions used in the Copperwood feasibility study, and Highland's ability to complete a financing may be significantly and adversely affected by declines in the price of copper. Copper prices are volatile and can be affected by many factors beyond the control of Highland, including, amongst others: changes in supply and demand, speculative activities, international economic conditions, political conflicts and wars. The price of copper has fluctuated widely in recent years.
- Putting a mining project into production requires substantial planning and expenditures and, while several members of the Company's management have mine construction and operating experience, as a corporation, Highland does not have any experience in taking a mining project to production; as a result, Highland's future success is more uncertain than if it had a proven history of mine construction and operation.
- In Michigan, mineral rights are property rights that can be sold, transferred or leased. Highland has taken steps to verify title with respect to its most material mineral properties. Although Highland believes that title to its mineral properties are in good standing there is no guarantee that title to such properties will not be challenged or impugned.
- Highland's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, occupational health, waste disposal, safety and other matters. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining operations which would result in environmental pollution. A breach of such legislation by Highland may result in the imposition of fines and penalties which can be substantial.
- Highland has applied to renew, amend or obtain certain permits required to begin construction of the Copperwood mine and commence production. Although the Company is confident that it can obtain the required permits, there is no assurance it will obtain all necessary permits within the anticipated timeline or at all. Failure to obtain such permits could delay or prevent the beginning of construction and production.
- The Company is subject to environmental risks related to the fact that the White Pine property is subject to a consent decree and, as part of the acquisition of White Pine, the Company will have to assume certain environmental responsibilities and risks related to the closure of the former White Pine Mine which Highland may be unable or choose not to insure.

- The executive officers, directors, and several shareholders of the Company (including Osisko, Orion and Greenstone) and their affiliated entities together beneficially own a majority of the Company's outstanding common shares. As a result, these shareholders, if they act together or in a block, could have significant influence over most matters that require approval by our shareholders, including the election of directors and approval of significant corporate transactions, even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of Highland that other shareholders may view as beneficial.
- It may be difficult for Highland to find and hire qualified people in the mining industry currently residing in Michigan or to obtain all of the necessary services or expertise to conduct operations in Michigan. If qualified people and services or expertise cannot be obtained in Michigan, Highland may need to seek and obtain those services from people located outside of these areas, which will require work permits and compliance with applicable laws and could result in delays and higher costs.
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- 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.
- Development projects are uncertain and actual capital and operating costs and economic returns may differ significantly from those estimated for a project prior to production. The economic feasibility of development projects is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future metals prices, and anticipated capital and operating costs of these projects. Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tonnes of ore to be mined and processed, unanticipated adverse geological conditions, unanticipated metallurgical recovery problems, incorrect data on which engineering assumptions are made, availability and costs of labour, costs of processing and refining facilities, availability of economic sources of power, adequacy of water supply, availability of surface on which to locate processing and refining facilities, adequate access to the site, unanticipated transportation costs, government regulations (including regulations with respect to royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, and the environment), fluctuations in metals prices, and accidents, labour actions and force-majeure events. It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production. It is likely that actual results for a project will differ from estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, or increase capital or operating costs above, estimates.
- Title to mineral rights and surface rights may be disputed.

- Environmental legislation is evolving in the direction of stricter standards and enforcement, higher fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Compliance with changing environmental laws and regulations may require significant capital outlays, including obtaining additional permits, and may cause material changes or delays in, or the cancellation of, operations.
- 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 in the mining sector.
- 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 Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect our expectations or beliefs regarding future events. Forward-looking statements include, but are not limited to: statements with respect to the completion of a financing to fund the Company's plans and objectives; statements with respect to the Copperwood Project including the estimation of mineral resources and mineral reserves, the timing and cost of the construction of the mine, the timing and amount of estimated future production, costs of production and capital expenditures; and statements with respect to the acquisition of the White Pine Project. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipation", "plan" and "expected".

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the Company's ability to raise capital, risks inherent to future prices of copper and other metals, the accuracy of mineral resource and mineral reserve estimates, increased operating and capital costs, changes to governmental regulations, compliance with governmental regulations and environmental laws and regulations, reliance on approvals and permits from governmental authorities, uncertainties and risks related to the acquisition of the White Pine Project, uncertainties and risks related to the potential development of the UPX Property, challenges to title to the Company's mineral properties, maintaining social license to operate, dependence on key management personnel, competition in the mining industry, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause our actual results, performance or achievements to differ materially from those described in our forward-looking statements, there may be other factors that cause our results, performance or achievements not to be as anticipated, estimated or intended.

There can be no assurance that our forward-looking statements will prove to be accurate, as our actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on our forward-looking statements.

Cautionary Note to U.S. Investors Concerning Resource Estimates

The resource estimates in this MD&A were prepared in accordance with NI 43-101 adopted by the Canadian Securities Administrators and it contains the terms "measured", "indicated" and "inferred" resources. Although these terms are recognized and required in Canada, the U.S. Securities and Exchange Commission ("SEC") does not recognize them. The SEC permits US mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves". Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at September 11, 2018. 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).