



MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended June 30, 2019

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2019

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 October 28, 2019, covers the years ended June 30, 2019 and 2018 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2019 and 2018 (the "June 30, 2019 and 2018 consolidated financial statements"). The June 30, 2019 and 2018 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.

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 projects located in Michigan's Upper Peninsula region, including **Copperwood**, a feasibility stage copper project, acquired in June 2014 from Orvana Minerals Corp. ("**Orvana**"), **White Pine**, a copper project on which a PEA was completed in September 2019 (subject to final closing of the acquisition from Copper Range Company ("**CRC**"), a wholly-owned subsidiary of First Quantum Minerals Ltd.), and a mineral exploration property covering approximately 448,000 acres referred to as the **UPX Property**, which was acquired in May 2017 from Kennecott Exploration Company and Rio Tinto Nickel Company ("**RTX**").

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 and on the OTCQB Venture Marketplace (the "**OTCQB**") under the symbol "HDRSF". At October 28, 2019, the Company has 472,933,689 common shares issued and outstanding.

In June 2019, as part of a series of transactions, Osisko Gold Royalties Ltd ("**Osisko**") transferred to an entity managed by Orion Resource Partners ("**Orion**"), all of the shares that Osisko held in the Company (74,420,434 shares). Following this transfer of shares, Orion now owns 141,670,434 shares of the Company (or 30.0% of its issued and outstanding shares) and Greenstone Resources II LP ("**Greenstone**") owns 80,700,000 shares of the Company (or 17.1% of its issued and outstanding shares).

Financial Condition and Strategic Review Process

At June 30, 2019, the Company had a working capital deficiency of \$17,995,199, including an amount due of \$2,495,484 under a credit facility provided by two of the Company's shareholders and an amount due of \$15,128,068 to RTX as consideration for the acquisition of the UPX Property in May 2017.

On May 20, 2019, the Company entered into a secured loan agreement (the "**Loan**") with two of its significant shareholders, Greenstone and Osisko (collectively, the "**Lenders**"). Under the terms of the Loan, the Lenders have agreed to provide the Company with a loan of up to \$4,500,000 to be disbursed in a number of tranches pursuant to an approved budget. The Loan,

which is secured by a mortgage on the Copperwood property and a general security agreement over all the assets of the Company, bears interest at a rate of 12% per annum and matures on February 28, 2020. The principal amount of the Loan as well as accrued interest will be payable at the latest on the maturity date. A first drawdown of \$2,750,000 occurred on May 24, 2019 and subsequent drawdowns to this date totaled \$850,000.

On May 30, 2017, the Company acquired the UPX Property for a total consideration of \$18.0 million of which \$2.0 million was paid in cash at closing. The Company also issued a 6-year \$16 million non-interest bearing promissory note (the "**Note**") to RTX, as part of the consideration for the acquisition of the UPX Property. The Note provided for the payment of \$1.0 million on the first anniversary of the acquisition (payment made on May 30, 2018) and \$3.0 million on each of the second, third, fourth, fifth and sixth anniversaries of the acquisition. The Company did not make the payment of \$3.0 million due on May 30, 2019. In accordance with the provisions of the Note, the failure to make the payment on May 30, 2019, constitutes an event of default and upon such occurrence and continuance, the amount of the Note then outstanding (\$15.0 million) bears interest at an annual rate of Libor plus 8% and becomes payable on demand. The Note is secured by a mortgage over the acquired property and a general security agreement over all the assets of UPX Minerals Inc., a wholly-owned subsidiary of the Company. The Company has initiated discussions with RTX to restructure the schedule of payments provided under the secured promissory note or find another suitable resolution. There can be no assurance that RTX will agree to reschedule the payments or to another resolution; given the Company's inability to pay there is a risk that RTX initiates legal proceedings to demand the full payment of the Note and enforce its securities over the UPX Property.

The Company needs additional funds to reimburse the Loan, to meet all existing commitments (including the Note of \$15.1 million due to RTX), to complete the acquisition of White Pine (including an amount of approximately \$1.7 million to replace the current environmental financial assurance bond) and to provide for management and administration expenses for the next 12 months.

The Company has engaged BMO Nesbitt Burns Inc. in July 2019 to act as financial advisor to the Company to review all funding options available, including the sale of assets, the issuance of securities, a merger or other type of arrangement or a combination of assets or entities. However, given the state of the capital markets for a company such as Highland and current copper prices, there is no assurance that additional funds will be available or available on terms acceptable to the Company or that the Company will be able to complete a strategic transaction. These conditions and uncertainties indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

All exploration and development activities were suspended in early 2019, including field work, studies and efforts to finance the development of the Copperwood Project, to minimize cash requirements. Also, the number of employees has been reduced to its minimum level.

Copperwood Project

Copperwood is a development stage copper project. A feasibility study, 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, was completed in June 2018. 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").

Permitting

The Company has received all major permits required to build and operate the Copperwood Project.

In December 2018, the Michigan Department of Environmental Quality ("MDEQ") approved the Company's request to amend the Mining Permit originally granted in 2012 to Copperwood Resources Inc. ("CRI"), the Company's 100%-owned subsidiary, under the provisions of Part 632, Nonferrous Metallic Mineral Mining, of the Natural Resources and Environmental Protection Act. The amendment was required to allow the Company to begin construction at Copperwood in accordance with the changes to the mine plan and facilities described in the updated feasibility study released on June 15, 2018. The amendment was approved under certain conditions that the Company will have to meet, namely: i) provide a revised subsidence monitoring plan for the life of mine and post closure period; ii) provide a plan to conduct confirmation baseline environmental sampling and review prior to the start of mining operations; iii) reclaim the ore stockpile area and dispose of the geomembrane liner according to regulations; and iv) reclaim or remove water intake and power supply infrastructure according to approved plans unless beneficial use agreements are established with another party.

In November 2018, the Company received three permits from the MDEQ, those being the Part 301/303/325 Wetland Permit, the Part 55 Air Discharge Permit, and the Part 315 Dam Safety Permit-Tailing Dam. The grant of the Part 301/303/325 Wetland Permit included the following mitigation requirements: i) 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 and the creation of 18.3 acres of forested and emergent wetlands on-site at the Copperwood project; and ii) stream mitigation by creating 13,700 feet of natural stream channel on-site at the Copperwood Project and replacing a culvert that is blocking brook trout passage in a tributary to the wild and scenic Cisco Branch to the Ontonagon River.

The application to obtain a Lake Superior water intake permit from the US Army Corps of Engineers (COE) is outstanding and a final decision is expected shortly.

June 2018 Feasibility Study Summary

The assumptions used in the preparation of the June 2018 feasibility study 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%.

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

The total estimated Measured and Indicated Mineral Resources of the Copperwood deposit, as prepared by GMSI, 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.

The Proven and Probable Reserves stated below were estimated based on the unconstrained Measured and Indicated Resources and the work carried out for the Feasibility Study. 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 presented above are inclusive of Proven and Probable Reserves.

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.

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%	NPV 8%	IRR	Payback
	(\$M)	(\$M)	(%)	(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

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.

Contingencies related to the Copperwood Project

As part of the consideration for the acquisition of the Copperwood Project, the Company will have to pay to Orvana an amount of \$1.25 million 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 future NSR royalty, Osisko has a mortgage on the Copperwood property and a general security agreement over all the assets of the Company and includes specifically a pledge of the shares of the following subsidiaries: Copperwood Resources Inc., Upper Peninsula Copper Holdings Inc., White Pine Copper LLC and Keweenaw Copper Co..

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. 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. The Company has delivered the June 2018 feasibility study on Copperwood to Osisko.

White Pine North Project

In May 2014, Highland completed the interim closing of the acquisition of the White Pine North Project from CRC. 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 is subject to several conditions including releasing CRC from certain environmental obligations associated with the remediation and closure plan of the historical White Pine mine site and replacing the related environmental bond for an amount expected to be approximately \$1.7 million. The deadline to complete the acquisition of the White Pine North Project from CRC has been extended to January 31, 2020.

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 White Pine North Project is located in the historical copper range district of the Upper Peninsula of Michigan, U.S.A.

In June 2019, in connection with the Company's ongoing strategic review process, the Company undertook to prepare a preliminary economic assessment ("**PEA**") and a mineral resource estimate for the White Pine North Project (the "**Project**"). The PEA and mineral resource estimate were prepared by GMSI. The results of the PEA, which considers White Pine North as a stand-alone project and utilizes existing infrastructure to minimize initial capital expenditures, were released on September 23, 2019. The highlights are presented below.

PEA Highlights

- Base case using a copper price of \$3.00/lb and a silver price of \$16.00/oz
- After-tax internal rate of return ("**IRR**") of 16.8%
- After-tax net present value ("**NPV**") at 8% of \$416 million
- Initial capital expenditures of \$457 million, net of pre-production revenue of \$56 million
- Life-of-mine ("**LOM**") cash costs of \$1.40/pound, including royalties
- Indicated mineral resource of 133.4 M tonnes at 1.07% Cu and 14.9 g/t Ag, containing 3.2 billion pounds of copper and 63.8 million ounces of silver.
- Inferred mineral resources of 97.2 M tonnes at 1.03% Cu and 8.7 g/t Ag, containing 2.2 billion pounds of copper and 27.2 million ounces of silver
- Mineral resources included in the mine plan of 121.4 M tonnes @ 0.98% Cu and 11.80 g/t Ag, containing 2.6 billion pounds of copper and 46.1 million ounces of silver
- Mine life of 25 years, including one year of ramp-up, with average annual LOM payable copper production of 89 million pounds and 1.3 million ounces of silver

The reader is advised that a PEA is preliminary in nature and is intended to provide only an initial, high-level review of the project potential and design options. The PEA mine plan and economic model include numerous assumptions and the use of Inferred resources. Inferred resources are too speculative geologically to have the economic considerations applied to them that would

enable them to be categorized as mineral reserves and to be used in an economic analysis except as allowed for in PEA studies. There is no guarantee that Inferred resources can be converted to Indicated or Measured resources, and as such, there is no guarantee the Project economics described herein will be achieved.

Mineral Resources

GMSI prepared a Mineral Resource estimate for the White Pine North Project based on data provided up to and including March 2015. The resource estimate was reported in accordance with NI 43-101. The Mineral Resource estimate was prepared under the supervision of Réjean Sirois, P. Eng. of GMSI, an independent "qualified person" as defined in NI 43-101.

The modelling of the copper mineralization horizons was based on the footwall and hanging wall of the three selected "columns" (sedimentary sequences), namely the Parting Shale, the Full Column and the Upper Shale. These columns were modelled with a minimum true thickness of 2 m. In instances where the columns were less than 2 m, dilution was applied in the footwall to ensure that the 2 m thickness was honored. Only the Parting Shale column was reported as a Mineral Resource. A 300 m buffer zone around existing workings was excised from the Mineral Resource.

Total Indicated Mineral Resources of the White Pine North deposit are reported at 133.4 M tonnes grading an average of 1.07% Cu and 14.9 g/t Ag, containing 3.2 billion pounds of copper and 63.8 million ounces of silver using a cut-off grade of 0.9% Cu for the Parting Shale column only. Inferred Mineral Resources are reported at 97.2 M tonnes grading an average of 1.03% Cu and 8.7 g/t Ag, containing 2.2 billion pounds of copper and 27.2 million ounces of silver using a cut-off grade of 0.9% Cu.

Mineral Resource for the Parting Shale Column – White Pine North Deposit 0.9% Cu Cut-off Grade – August 30, 2019

Resource Category	Tonnage (M tonnes)	Copper Grade (%)	Silver Grade (g/t)	Copper Contained (M lbs)	Silver Contained (M oz)
Indicated	133.4	1.07	14.9	3,154	63.8
Inferred	97.2	1.03	8.7	2,210	27.2

Notes on Mineral Resources:

- 1) Mineral Resources are reported using a copper price of US\$ 3.00/lb and a silver price of US\$ 16/oz
- 2) A payable rate of 96.5% for copper and 89.3% for silver was assumed.
- 3) Metallurgical recoveries of 88% for copper and 76% of silver were assumed.
- 4) A cut-off grade of 0.9% Cu was used based on an underground "room and pillar" mining scenario
- 5) Operating costs are based on a processing plant located at the White Pine site.
- 6) A flat NSR royalty rate of \$0.05/lb Cu payable was applied, which incorporates two royalties on the project (Osisko Gold Royalty and Great Lakes Royalty)
- 7) The Parting Shale Column was modelled using a minimum true thickness of 2 m
- 8) No mining dilution or mining loss was considered for the Mineral Resources
- 9) Mineralized rock bulk density is assumed at 2.7 g/cc
- 10) Classification of Mineral Resources conforms to CIM definitions
- 11) The qualified person for the estimate is Mr. Réjean Sirois, P.Eng., Vice President - Geology and Resource for GMSI. The estimate has an effective date of August 30, 2019
- 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) Parting Shale: Interval defined from the base of the Lower Transition to the top of the Tiger units
- 14) 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.

Life-of-Mine (LOM) Metal Production

The production schedule is based on mining a fixed target of 5.4 M tonnes/year. The PEA LOM production estimate for the White Pine North Project is shown below. Payable copper production is estimated at 1 Mt (2.2 billion pounds) with an annual average of 40,000 tonnes (89 million pounds) over the 25-year mine life which includes a 1-year commissioning and ramp-up period. The average payable rate is 96.5% which includes a 0.2% concentrate loss. Payable silver production over the LOM is 31.3 million ounces with an annual average of 1.3 million ounces of silver.

Production Physicals		Total
Concentrate	k of dmt	3,421
Cu con. Grade	% Cu	30.5
Cu metal production	M lbs	2,305
Ag metal production	k oz	35,012
Cu payable metal	M lbs	2,224
Ag payable metal	k oz	31,257

Capital Costs

The initial capital costs, including all direct and indirect costs, are estimated at \$512.5 million, including a contingency of \$90.8 million. It is anticipated that pre-production revenue of \$55.7 million will reduce the capital expenditures to \$456.7 million. The total LOM sustaining capital is estimated at \$459.3 million.

Operating Cash Flow

Operating Cash Flow	LOM (\$M)	\$/t ore	\$/lb Cu Payable
Cu Revenue	6,615	55.07	3.00
Ag Credits	496	4.13	0.23
Revenue	7,111	59.20	3.23
Concentrate Transportation Costs	(260)	(2.17)	(0.12)
Treatment & Refining Charges	(407)	(3.39)	(0.18)
Net Smelter Return	6,444	53.65	2.92
Royalties	(113)	(0.94)	(0.05)
Mining Costs	(2,038)	(16.96)	(0.92)
Processing Costs	(740)	(6.16)	(0.34)
G&A Costs	(193)	(1.60)	(0.09)
Total OPEX (incl. royalties)	(3,084)	(25.67)	(1.40)
Operating Cash Flow	3,359	27.97	1.52

Sensitivity Analysis

Variance	After-Tax Results			
	NPV 0% (\$M)	NPV 8% (\$M)	IRR (%)	Payback (years)
Metal Price Sensitivities				
20%	3,126	832	23.8%	3.6
10%	2,520	626	20.5%	4.2
0%	1,907	416	16.8%	5.2
-10%	1,292	205	12.7%	7.0
-20%	676	-6	7.8%	9.7
Initial Capital Cost Sensitivities				
20%	1,845	361	15.0%	5.9
10%	1,876	389	15.8%	5.6
0%	1,907	416	16.8%	5.2
-10%	1,938	443	17.8%	4.9
-20%	1,969	470	19.0%	4.6
Operating Cost Sensitivities				
20%	1,772	369	15.9%	5.6
10%	1,839	392	16.3%	5.4
0%	1,907	416	16.8%	5.2
-10%	1,974	439	17.2%	5.0
-20%	2,042	462	17.6%	4.9

Estimated Timeline

Upon receipt of required permits and necessary approvals a 48-month mine development, construction and commissioning period is foreseen followed by 24 years of commercial production.

Preliminary Economic Assessment

Summary	Total
Pre-tax NPV @ 8% (\$M)	557.2
Pre-tax IRR	19.2%
After-tax NPV@ 8% (\$M)	416
After-tax IRR	16.8%
Undiscounted After-Tax Cashflow (LOM) (\$M)	1,907
Payback Period from start of processing (years)	5.2
Initial Capital expenditures (\$M)	456.8
LOM Sustaining Capital Expenditures (\$M)	459.3
LOM C-1 Cash Costs \$/lb (net of bi-product)	1.43
Nominal Process capacity t/d	15,500
Mine Life-years	24.0
Annual Payable Metal Production	
Copper (M lbs)	89.0
Silver (M ozs)	1.25
LOM Average Process Recovery Rate	
Copper %	88.0
Silver %	76.0

Environmental liabilities

The former White Pine mine ceased operation in 1995 and has been the subject of an extensive remediation program outlined in judicial Consent Decree and Remedial Action Plan agreements between CRC, Michigan's Attorney General and the Michigan Department of Environment Quality. The entire surface area overlying the underground mine along with the associated surface component area and tailings impoundments are listed as a "facility" under Part 201, Environmental Remediation, of Michigan's Public Act 451 of 1994 as Amended, the Natural Resource and Environmental Protection Act.

Pending final closing of the acquisition, the Company began mineral exploration and baseline environmental surveys under an access agreement with CRC. Historical environmental data for the former White Pine mine site operated by CRC was reviewed and compared with the Company's initial project plans and Michigan's Part 632 regulatory requirements. CRC had compiled extensive information on surface water, ground water and near-surface soils at the project site. Biological monitoring data in the project area was mostly limited to very brief descriptions, e.g. the Remedial Investigation Report of 1999, or the more thorough description of the 1978 Baker report that is now over 40 years old. Data from limited nearby stream monitoring completed by the State of Michigan in 1999 and earlier is also available.

Upon completion of the final closing of the acquisition of the mineral and surface rights from CRC, the Company will assume all environmental liabilities related to the Consent Decree and on-going environmental obligations.

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.

UPX Property

In May 2017, UPX Minerals Inc., a wholly owned subsidiary of Highland, acquired from RTX, a mineral property located in central Upper Peninsula of Michigan. See *Financial Condition and Strategic Review Process* section for additional information.

The UPX Property is comprised of non-contiguous mineral rights covering approximately 1,800 square kilometers (448,000 acres). The 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 has carried 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 has 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.

Keweenaw Project

Under a Mining Venture Agreement with BRP dated July 2011 and subsequently amended, the Company had an option to acquire a 65% interest in the Keweenaw Project (which included the 543S deposit) by providing a feasibility study by December 31, 2018. This condition to exercise the option was not met and the option agreement expired, unexercised.

Qualified Persons

The technical information included in this MD&A has been reviewed and approved by Mr. Denis Miville-Deschênes, P. Eng., President and CEO of the Company and a qualified person under NI 43-101.

Corporate activities

Board changes

On February 21, 2019, Mr. Luc Lessard resigned from the Company's board of directors, for personal reasons. Mr. Allen Winters did not stand for re-election at the 2018 annual general meeting held on December 6, 2018. The board of directors is now composed of five directors, three of whom are independent.

Rights of Certain Shareholders

Following their participation in the Company's non-brokered private placement of units completed in early 2017, Greenstone received nomination rights for the sale of Highland's production pro-rata to its shareholding in the Company 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. So long as they hold not less than 10% of the issued and outstanding number of shares of the Company, Greenstone and Orion each have participation rights to maintain their equity ownership level in future equity financings. Osisko has a right of first refusal on any royalty, streaming and project financing by the Company and is entitled to nominate one director to the board of directors of the Company.

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, 2019					
Property payments in cash	168,600	25,000	-	26,652	220,252
Finance expense	132,500	-	6,254,513	-	6,387,013
Write-down	-	-	(18,010,770)	-	(18,010,770)
Effect of foreign exchange	-	-	-	(6,513)	(6,513)
	201,100	25,000	(11,756,257)	20,139	(11,410,018)
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, 2019 included lease payments of \$168,600 related to the Copperwood Project, \$25,000 related to the White Pine North Project and \$26,652 related to other properties. Capitalized finance expense included interest payments of \$112,500 and a 2% penalty fee of \$20,000 related to the final amount of \$1,000,000 which was due to Orvana for payment on June 17, 2018, but was paid on May 8, 2019. The capitalized accretion expense of \$6,254,513 relates to the increase of the non-interest-bearing promissory note in favor of RTX to its face value of \$15.0 million following the non-payment of the amount of \$3.0 million which was due on May 30, 2019. Following such occurrence and continuance, the full amount of the promissory note in favor of RTX became payable on demand. At June 30, 2019, the Company wrote-down the full amount capitalized on the UPX Property, as the Company does not plan to conduct any work on this property in the near future.

The amounts capitalized during the year ended June 30, 2018 included lease payments of \$186,100 related to the Copperwood Project, \$25,000 related to the White Pine North 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 remaining amount capitalized on the Keweenaw Project of \$654,405, as the Company was not planning to conduct any significant work on this property in the near term.

Exploration and evaluation expenses charged to the statements of comprehensive loss during the years ended June 30, 2019 and 2018 are as follows:

	Copperwood Project	White Pine Project	UPX Project	Year ended June 30, 2019 Total	Year ended June 30, 2018 Total
	\$	\$	\$	\$	\$
Site preparation, drilling and assaying	1,865	-	39,108	40,973	1,386,707
Labour	934,226	100,987	439,602	1,474,815	2,450,433
Studies	127,733	211,095	-	338,828	3,836,509
Office, overhead and other administrative costs	208,451	124,086	223,066	555,603	1,092,965
	1,272,275	436,168	701,776	2,410,219	8,766,614

Selected Consolidated Financial Information ⁽¹⁾⁽²⁾

The following selected financial information should be read in conjunction with the Company's June 30, 2019 and 2018 consolidated financial statements.

Financial Position	June 30, 2019	June 30, 2018	
	\$	\$	
Cash	605,046	3,487,847	
Exploration and evaluation assets	20,385,814	31,795,832	
Total assets	21,122,294	35,679,441	
Credit Facility, due on February 28, 2020	2,495,484	-	
Note payable, due until December 31, 2020	165,000	275,000	
Promissory note, including accrued interest, on demand	15,128,068	2,501,248	
Non-current portion of promissory note	-	6,244,239	
Balance of purchase price payable	-	1,004,333	
Shareholders' equity	2,163,379	24,045,201	
	Year ended	Year ended	Year ended
	June 30, 2019	June 30, 2018 ⁽³⁾	June 30, 2017 ⁽³⁾
Comprehensive Loss	\$	\$	\$
Net loss for the year	(22,155,581)	(11,571,693)	(4,482,540)
Basic and diluted loss per share	(0.05)	(0.02)	(0.02)
	Year ended	Year ended	Year ended
	June 30, 2019	June 30, 2018 ⁽³⁾	June 30, 2017 ⁽³⁾
Cash Flows	\$	\$	\$
Operating activities	(4,029,635)	(10,668,437)	(4,643,810)
Investing activities	(323,373)	(366,772)	(2,306,701)
Financing activities	1,476,917	249,628	20,769,215

- 1) *The Selected Consolidated Financial Information was derived from the Company's June 30, 2019 and 2018 consolidated financial statements, prepared in accordance with IFRS.*
- 2) *The Company's June 30, 2019 and 2018 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. The recovery of amounts recorded for exploration and evaluation assets depends on the ability of the Company to complete the acquisition of the White Pine Project, the ability of the Company to obtain the necessary financing to complete the development of the projects, and future profitable production from the projects or proceeds from their disposition thereof. The Company requires additional funds to settle its working capital deficiency, to meet all existing commitments, to complete the acquisition of the White Pine Project and to provide for management and administration expenses for the next 12 months. To that end, the Company engaged BMO Nesbitt Burns Inc. in July 2019 to act as financial advisor to the Company to review all funding options available to it, which process can result in the sale of assets, the issuance of securities, a merger or other type of arrangement or a combination of assets or entities. However, there is no assurance that the Company will be successful in completing any such transactions. Should the Company not be successful in completing any such transactions, this will 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, 2019 and 2018 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.

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, 2019 compared to year ended June 30, 2018

The Company incurred a net loss of \$22,155,581 (\$0.05 per share) during the year ended June 30, 2019 ("FY 2019") compared to a net loss of \$11,571,693 (\$0.02 per share) during the year ended June 30, 2018 ("FY 2018").

In FY 2019, the Company recorded an impairment of the UPX Property in the amount of \$18,010,770. Given the Company's financial condition as more fully described in the *Financial Condition and Strategic Review Process* section, the Company does not plan to conduct any work on this property in the near future and as result has written-down to nil at June 30, 2019 the value of the UPX Property. The amount of \$18,010,770 represents the cost of the property acquired in 2017 from RTX. At June 30, 2018, the Company had written down to nil the costs related to the Keweenaw Project (\$654,405) as it did not plan to conduct any further work on this project in the near term.

The Company incurred exploration and evaluation expenses of \$2,410,219 in FY 2019 compared to \$8,766,614 in FY 2018. A total amount of \$1,272,275 was spent at Copperwood in FY 2019 (\$6,077,029 in FY 2018) with efforts during the early part of the financial year focused on ensuring that all amendment requests, renewals and new applications concerning the grant of permits were complete and filed in a timely manner. In FY 2018, the Company completed an 8-hole (2,550 meters) drilling program on and around Section 5 located at the Copperwood Project and focused all of its efforts towards completing the Copperwood feasibility study which results were released on June 15, 2018. An amount of \$436,168 was spent at the White Pine Project in FY 2019 (\$503,845 in 2018), mostly related to maintaining the tailings facilities at the former White Pine site. At the UPX Property, the Company incurred expenses of \$701,776 in FY 2019 (\$1,966,518 in 2018) as it continued its systematic review and compilation of significant historical data obtained with the acquisition of the UPX Property in 2017 to better understand the potential of the property.

Management and administration expenses of \$1,359,322 in FY 2019 compared to \$1,698,615 in FY 2018 reflect lower wages and fees to consultants following the reduction in wages of certain officers and the reduction of personnel at the corporate office (wages and fees of \$946,300 in FY 2019 compared to \$1,032,772 in FY 2018), lower professional fees due mostly to reduced legal fees (\$191,879 in FY 2019 compared to \$271,862 in FY 2018), reduced investor relations and travel expenses mostly due

to negative market conditions for copper projects and taking into account the Company's financial condition (\$85,161 in FY 2019 compared to \$209,881 in FY 2018) and lower reporting issuer costs, as FY 2018 expenses included a one-time listing fee on the OTCQB (\$28,637 in FY 2019 compared to \$64,600 in FY 2018).

Share-based compensation totaled \$168,612 in FY 2019 (\$503,512 in FY 2018) following the grant of options to employees, directors, officers and consultants of the Company in August 2017, October 2017 and May 2018.

The Company incurred a finance expense of \$219,908 in FY 2019 (\$31,833 in FY 2018) related mostly to i) the credit facility of up to \$4,500,000 provided by two of the Company's shareholders (Greenstone and Osisko) (finance expense of \$71,528 in FY 2019 consisting of interest at the effective rate of 23.6% compared to nil in FY 2018); ii) the interest-bearing note payable to the lessor of certain mineral rights located in White Pine (finance expense of \$18,700 in FY 2019 compared to \$27,500 in FY 2018); and iii) the promissory note in favour of RTX, which on default of the amount due of \$3.0 million on May 30, 2019, the full amount of the outstanding amount due to RTX now bears interest at an annual rate of Libor plus 8% (a rate of 10.39% at June 30, 2019) for a finance expense of \$128,068 in FY 2019 compared to nil in FY 2018.

During the financial year, the Company realized \$19,005 (\$112,343 in 2018) in finance income on liquidities held.

4th quarter ended June 30, 2019 compared to the 4th quarter ended June 30, 2018

During the 4th quarter ended June 30, 2019, the Company incurred a net loss of \$18,581,306 (\$0.04 per share) compared to a net loss of \$2,700,885 (\$0.01 per share) during the 4th quarter ended June 30, 2018. The increased loss during the 4th quarter ended June 30, 2019 compared to 2018 is mainly due the impairment of the UPX Property in the amount of \$18,010,770, partially offset by lower exploration and evaluation expenses of \$1,235,198 due to the suspension in early 2019 of all exploration and evaluation activities in Michigan, lower management and administration expenses of \$277,677 following the reduction in wages of certain officers and the reduction of personnel at the corporate office, and the reduction in investor relations and travel expenses and the write-off in the amount of \$654,405 of the Keweenaw Project in FY 2018.

Selected Quarterly Financial Information

The following is a summary of the Company's financial results for the past eight quarters:

Period ended	Revenues	Net loss	Basic and diluted loss per share
	\$	\$	\$
June 30, 2019 (a)	1,697	18,581,306	(0.04)
March 31, 2019	625	877,703	(0.00)
December 31, 2018	3,929	1,037,350	(0.00)
September 30, 2018	12,754	1,659,222	(0.00)
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)

(a) Includes an impairment of \$18,010,770 of the UPX Property.

Liquidity and Capital Resources

At June 30, 2019, the Company had a working capital deficiency of \$17,995,199 compared to a working capital deficiency of \$1,228,720 at June 30, 2018. The increase in the working capital deficiency during the year ended June 30, 2019 is mainly attributable to i) the reclassification of the promissory note in favour of RTX as a demand note and the recording of interest payable on the full amount of the note due of \$15.0 million for the period from May 30, 2019 to June 30, 2019 of \$128,068 (total impact of \$12,626,820 on the working capital deficiency for the year); ii) exploration and evaluation expenses of \$2,410,219 ; iii) management and administration expenses of \$1,359,322; iv) lease payments of \$352,752 related to the Copperwood Project and other mineral leases held; v) the reimbursement of an amount of \$110,000 under a 4-year note payable related to certain mineral rights located in White Pine, Michigan; vi) the reimbursement of the balance of purchase price payable of \$1,000,000 to Orvana plus finance expenses of \$132,500; with all such items partially offset with the net proceeds of the credit facility of \$2,495,484 described below.

On May 20, 2019, the Company entered into a loan agreement with two of its then shareholders, Greenstone and Osisko (collectively, the "**Lenders**"), which are deemed to have significant influence over the Company. Under the terms of the loan agreement, the Lenders have agreed to provide the Company with a loan of up to \$4,500,000 (the "**Principal Amount**"). The loan bears interest at a rate of 12% per annum, has a maturity date of February 28, 2020 (the "**Maturity Date**") and is to be disbursed in a number of tranches pursuant to an approved budget, including the settlement of certain outstanding liabilities, expenses to conduct a scoping study on the White Pine North Project and expenses to conduct a strategic review process. The Principal Amount of the loan as well as accrued interest are payable at the latest on the Maturity Date of the loan. The loan is secured by a mortgage on the Copperwood property and a general security agreement over all the assets of the Company and includes specifically a pledge of the shares of the following subsidiaries: Copperwood Resources Inc., Upper Peninsula Copper Holdings Inc., White Pine Copper LLC and Keweenaw Copper Co.

On May 24, 2019, the Company made an initial drawdown on the loan facility of \$2,750,000. The Company accounted for the estimated fair value of the loan using a discount rate of 20%. The fair value adjustment of \$162,961 representing the below market element of the loan was presented in equity. Transaction costs of \$163,083, consisting of an arrangement fee and legal fees, were presented as a reduction of the loan. These expenses are amortized over the loan period of nine months using the effective interest rate method. The effective interest rate of the loan is 23.6%. Subsequent to the FY 2019, the Company made additional drawdowns totaling \$850,000.

On May 28, 2018, the Company and Orvana amended the repayment terms of the final amount due of \$1,250,000 and as such, a payment of \$250,000 was made on June 17, 2018. The remaining amount of \$1,000,000, which was due by November 30, 2018, bore interest on a monthly basis at a rate of 12% per annum until November 30, 2018 and 15% per annum subsequently. The Company also agreed that in the event it was not able to repay the remaining amount of \$1,000,000 by November 30, 2018, it would pay a 2% penalty amount to Orvana. On May 28, 2019, the Company made a final payment of \$1,000,000 plus the 2% penalty amount of \$20,000. The interest paid of \$112,500 in 2019 and the penalty amount of \$20,000 were added to the cost of the Copperwood Project in accordance with the Company's accounting policy on borrowing costs.

The Company requires additional funds to reimburse the loan to the Lenders, to meet all existing commitments (including the Note of \$15.1 million due to RTX), to complete the acquisition of White Pine (including an amount of approximately \$1.7 million to replace the current environmental financial assurance bond) and to provide for management and administration expenses for the next 12 months.

To that end, the Company engaged BMO Nesbitt Burns Inc. in July 2019 to act as financial advisor to the Company to review all funding options available to it, including the sale of assets, the issuance of securities, a merger or other type of arrangement or a combination of assets or entities. However, given the state of the capital markets for a company such as Highland and current copper prices, there is no assurance that additional funds will be available or available on terms acceptable to the Company or that the Company will be able to complete a strategic transaction. These conditions and uncertainties indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

Capital Management

The Company defines capital that it manages as loans (including credit facility, note payable and promissory note) 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, 2019, managed capital was \$19,951,931 (\$34,070,021 at June 30, 2018). There were no changes in the Company's approach to capital management during the year ended June 30, 2019. The Company is not subject to any externally imposed capital requirements as at June 30, 2019.

Off-Balance Sheet Arrangements

At June 30, 2019, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

In addition to the loan agreement with two of the Company's shareholders described in the *Liquidity and Capital Resources* section, during the year ended June 30, 2019, the Company incurred administration expenses of \$101,833 from Reunion Gold Corporation ("**Reunion**"), a related party by virtue of common key management and director (\$67,151 in 2018).

During the year ended June 30, 2019, the Company recovered amounts of \$223,698 for management services provided to other TSXV-listed companies, related by virtue of common key management, including Odyssey Resources Limited and Reunion (\$186,010 in 2018). The services are provided at cost.

At June 30, 2019, the Company had an amount payable of \$33,610 to Reunion (nil at June 30, 2018) and had an amount receivable from Odyssey Resources Limited of \$1,920 (nil at June 30, 2018).

Remuneration to directors and key management of the Company, including the Executive Chairman, the President and CEO and the CFO, totaled \$668,301 during the year ended June 30, 2019 (\$946,883 in 2018), as more fully detailed in Note 20 to the June 30, 2019 and 2018 consolidated financial statements filed on SEDAR.

Outstanding Share Data

At October 28, 2019, 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 9,915,000 stock options outstanding with an average exercise price of \$0.13, expiring at various dates until October 2022.

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, except for the adoption of IFRS 9, Financial Instruments, described below. The significant accounting policies of Highland are presented in Note 4 to the June 30, 2019 and 2018 consolidated financial statements filed on SEDAR.

Change in accounting policy – adoption of IFRS 9, Financial instruments

On July 1, 2018, the Company adopted IFRS 9 on a retrospective basis with restatement of comparative periods in accordance with the transitional provision of IFRS 9. IFRS 9 sets out the requirements for recognizing financial assets and liabilities and replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The adoption of IFRS 9 resulted in a change in classification of the financial assets to the financial assets at amortized cost category while they were classified as loans and receivables under the classification prescribed by IAS 39. There was no change in the classification of financial liabilities. There was no impact on carrying values as a result of the adoption on IFRS 9, therefore, comparative amounts presented in the Company's consolidated financial statements were not restated.

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 4 to the June 30, 2019 and 2018 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 4 to the June 30, 2019 and 2018 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 or sale of assets.

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2019:

	Carrying amount	Settlement amount	Within 1 year	2 years	Over 2 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	913,357	913,357	913,357	-	-
Credit facility	2,495,484	3,002,823	3,002,823	-	-
Note payable	165,000	176,540	119,900	56,640	-
Promissory note	15,128,068	15,128,068	15,128,068	-	-
	18,701,909	19,220,788	19,164,148	56,640	-

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 \$6,000.

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, 2019, financial assets and liabilities denominated in a foreign currency consisted of cash and cash equivalents of \$426,471, accounts payable and accrued liabilities of \$30,819 and credit facility of \$2,495,484. The impact on profit or loss of a 10% increase or decrease in the US dollar against the Canadian dollar would be approximately \$210,000.

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 venture, 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 repay the outstanding secured promissory note and to conduct exploration programs on its UPX Property; if adequate financing is not available, RTX may demand payment of the \$15.0 million plus interest due under the Note and given the Company's inability to pay such amount, RTX may initiate legal proceedings to demand the full payment of the Note and enforce its securities over the UPX 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 and the results of the White Pine PEA, the price of and demand for copper and other metals, the state of the capital 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/or mineral reserves of the Copperwood and White Pine North 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 and silver 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 those projects. 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 in the White Pine PEA, and Highland's ability to complete a financing may be significantly and adversely affected by various factors including a decline 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 the past.
- 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.
- The Company is subject to environmental risks and most particularly as it relates to the White Pine property which is subject to a consent decree; 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 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 result of the strategic review process and the funding requirement; 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, the result of the discussion with RTX with respect to the Note; and the Company’s plans and objectives. 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, 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 October 28, 2019. 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).