

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020**

The following interim management's discussion and analysis – quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three months ended September 30, 2020 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended June 30, 2020 ("**Annual MD&A**").

This Interim MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three months ended September 30, 2020 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2020 and 2019 (the "**Annual Financial Statements**") and the Company's Annual MD&A, including the section describing risks and uncertainties. All financial results presented in this Interim MD&A are expressed in US dollars unless otherwise indicated.

The effective date of this Interim MD&A is November 25, 2020.

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, through its subsidiaries, has assembled a number of projects located in Michigan's Upper Peninsula region, including **Copperwood**, a feasibility stage copper project, **White Pine North**, a development stage project (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 referred to as the **UPX Property**, which was acquired in May 2017 from Kennecott Exploration Company and Rio Tinto Nickel Company ("**RTX**").

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". As at November 25, 2020, the Company has 472,933,689 common shares issued and outstanding. Orion Resource Partners ("**Orion**") and Greenstone Resources II LP ("**Greenstone**") hold respectively 30.0% and 17.1% of the Company's issued and outstanding shares.

FINANCIAL CONDITION

At September 30, 2020, the Company had a working capital deficiency of \$23,298,490, including an amount due of \$5,658,248 under a loan provided by Osisko Gold Royalties Ltd ("**Osisko**") and Greenstone, and an amount of \$16,843,579 due 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 Agreement**") with Osisko and Greenstone (collectively, the "**Lenders**"). Under the terms of the Loan Agreement, the Lenders agreed to provide the Company with a loan of up to \$4,500,000, which amount was disbursed in a number of tranches until February 2020. On September 4, 2020, pursuant to an amendment to the Loan Agreement, Osisko made available to the Company an

additional amount of \$500,000, increasing the total indebtedness under the Loan Agreement to \$5,000,000 plus accrued interest. 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. Following a number of amendments to extend the maturity date for the repayment of the loan, the principal amount of the loan as well as accrued interest, estimated at \$5.75 million as of the date of this MD&A, are payable by November 30, 2020, provided however that the lenders may demand repayment of the loan and accrued interest at any time upon two business days' notice. The Company is looking at various options to repay the loan but there can be no assurance that the Company will have such funds or that the Lenders will agree to further extend the maturity date of the Loan Agreement.

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 and \$16.0 million was payable to RTX over 6 years under a non-interest bearing promissory note (the "Note"). A payment of \$1.0 million was made on the first anniversary of the acquisition. The Company did not make the payments of \$3.0 million due on each of May 30, 2019 and May 30, 2020. This 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 Company is in discussion 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 to secure funds to reimburse the loan and accrued interest due to Osisko and Greenstone, to reimburse the Note and accrued interest due to RTX, to meet all existing commitments, to complete the acquisition of White Pine (including an amount of approximately \$1.7 million required to replace an environmental financial assurance bond) and to provide for management and administration expenses for the next 12 months. The Company is continuing its review of various options to secure such additional funds. This includes discussions with its major shareholders, lenders and royalty holders. Given the Company's significant working capital deficiency and the state of the capital markets for a company such as Highland, 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 field exploration activities have been suspended since early 2019 to minimize cash requirements. Also, the number of employees has been reduced to its minimum level to support the care and maintenance of the projects and to comply with corporate and regulatory requirements. The payment of salaries and fees to officers and directors of the Company has been deferred since May 2020 and will continue to be deferred until the Company can raise additional cash.

EXPLORATION AND EVALUATION EXPENSES

The amounts capitalized during the three months ended September 30, 2020 totaled \$61,250 which consist of lease payments related to the Copperwood Project (\$63,250 during the three months ended September 30, 2019).

Exploration and evaluation expenses charged to the statement of net loss during the three months ended September 30, 2020 and 2019 are as follows:

	Copperwood	White Pine	UPX	Other	Three months ended Sep 30, 2020	Three months ended Sep 30, 2019
	Project	Project	Property	projects	Total	Total
	\$	\$	\$	\$	\$	\$
Labour	15,187	7,243	(4,510)	-	17,920	67,100
Studies and consultants	1,622	94,071	-	-	95,693	232,887
Office, overhead and other administrative costs	15,163	44,304	4,355	3,878	67,700	81,921
	31,972	145,618	(155)	3,878	181,313	381,908

OPERATING ACTIVITIES

During the three months ended September 30, 2020, the Company incurred a net loss of \$918,918 (nil per share) compared to a net loss of \$1,294,708 (nil per share) during the comparative period in 2019. As part of the net loss during the three months ended September 30, 2020, the Company recorded finance expense of \$550,425 (\$606,172 in 2019) composed mainly of interest of \$308,328 on the Note due to RTX and the effective interest expense of \$237,312 on the Loan due to Greenstone and Osisko. Other significant items during the period included exploration and evaluation expenses of \$181,313 as detailed above (\$381,908 in 2019), management and administration expenses of \$269,665 (\$235,603 in 2019) and an unrealized gain on foreign exchange of \$99,981 (a foreign exchange loss of \$28,551 in 2019) mostly due to the conversion of the Loan to Canadian dollars.

Management and administration expenses during the three months ended September 30, 2020 includes higher wages and fees to consultants mostly due to the accruing of an amount of \$48,813 in fees payable to independent directors for services performed as members of a special committee put in place to review potential strategic transactions over the last 12 months (wages and fees of \$202,629 during the current period compared to \$152,621 in 2019), partially offset by lower professional fees due to lower legal costs (\$37,609 during the current period compared to \$45,465 in 2019) and lower investor relations and travel expenses (\$158 during the current period compared to \$12,946 in 2019).

LIQUIDITIES AND CAPITAL RESOURCES

At September 30, 2020, the Company had a working capital deficiency of \$23,298,490 compared to a working capital deficiency of \$22,321,872 at June 30, 2020. The increase in the working capital deficiency during the three months ended September 30, 2020 is mainly attributable to; i) exploration and evaluation expenses of \$181,313; ii) management and administration expenses of \$269,665; iii) lease payments of \$50,000 related to the Copperwood Project; iv) the reimbursement of an amount of \$27,500 under a 4-year note payable related to certain mineral rights located in White Pine, Michigan; v) additional accrued interest of \$308,328 for the three months ended September 30, 2020 on the Note in favour of RTX; and vi) accrued interest of \$237,312 for the three months ended September 30, 2020 on the Loan from Greenstone and Osisko.

On September 4, 2020, Osisko made available to the Company an additional amount of \$500,000, increasing the total indebtedness under the Loan Agreement described in the *Financial Condition* section to \$5,000,000, plus accrued interest.

The following table summarizes the contractual maturities of the Company's financial liabilities at September 30, 2020:

	Carrying amount	Settlement amount	Within 1 year	2 years	Over 2 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,123,848	1,123,848	1,123,848	-	-
Credit facility	5,658,248	5,692,094	5,692,094	-	-
Note payable	27,500	28,040	28,040	-	-
Promissory note	16,843,579	16,843,579	16,843,579	-	-
	23,653,175	23,687,561	23,687,561	-	-

RELATED PARTY TRANSACTIONS

In addition to the Loan Agreement with two of the then Company's shareholders described in the *Financial Condition* section, during the three months ended September 30, 2020, the Company incurred administration expenses of \$19,387 from Reunion Gold Corporation (“**Reunion Gold**”), a related party by virtue of common key management and a director (\$17,151 during the comparative period in 2019). At September 30, 2020, the Company had an amount payable of \$40,809 to Reunion Gold (\$38,859 at June 30, 2020).

The remuneration to directors and key management of the Company, including the Executive Chairman, the President and CEO and the CFO, during the three months ended September 30, 2020 totaled \$176,362 (\$137,191 during the comparative period in 2019).

RISKS AND UNCERTAINTIES

Highland is subject to a number of significant risks and uncertainties due to its current financial condition and 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. The extent to which the COVID-19 pandemic impacts the Company's business will depend on future developments which are highly uncertain and cannot be predicted at this time. In addition to the potentially adverse impact on the Company's ability to raise the funds required to continue its activities, the continued spread of the COVID-19 globally could also have an impact on employees health, the availability of personnel, and other impacts beyond the Company's control, all of which may have a material and adverse effect on the Company's business, financial condition and results of operations.

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. For additional risk factors, refer to the risks and uncertainties described in the Annual MD&A. Readers should carefully consider these risks and uncertainties.

Requirement for additional capital

Highland requires substantial amount of funds to continue its activities including: a) to repay the Loan due to Greenstone and Osisko by November 30, 2020; if Highland is unable to repay the Loan, the Lenders may enforce their securities over all of the Company's assets; b) to repay the outstanding secured promissory note due to RTX; 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; c) for the development of the 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; d) to complete the acquisition of the White Pine North 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 North Project may be delayed or not be completed; and e) for general and administrative expenses.

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, the sale of assets and other means.

Highland's ability to raise the necessary funds and/or to complete a strategic transaction depends in part upon the market's perception of its mineral projects, the price of and demand for copper, 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, including, without limitation, statements relating to the Company's ability to obtain the funds necessary to settle its working capital deficiency, to meet its working capital needs and commitments, and to continue its activities; its ability to complete the acquisition of the White Pine North Project; and the potential of its mineral projects are forward-looking statements. Forward-looking statements involve various risks and uncertainties some of which are described above. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

All forward-looking statements in this MD&A are based on information available to the Company as of the date hereof, and the Company undertakes no obligation to update forward-looking statements except as required by law.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's website (www.highlandcopper.com).