

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
- QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021**

The following 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, 2021 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, 2021 ("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, 2021 (the "Interim Financial Statements"), the Company's audited consolidated financial statements for the years ended June 30, 2021 and 2020 (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 23, 2021.

DESCRIPTION OF BUSINESS

Highland and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties. The Company's assets are **Copperwood**, a feasibility stage copper project, and **White Pine North**, an advance-stage copper project, both located in the Upper Peninsula region of the State of Michigan, USA.

Highland, a Canadian-based company, 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". As at November 23, 2021, the Company has 736,363,619 common shares issued and outstanding. Orion Resource Partners ("**Orion**"), Condire Investors LLC ("**Condire**") and Greenstone Resources II LP ("**Greenstone**") hold respectively 27.7%, 16.2% and 15.9% of the Company's issued and outstanding common shares.

HIGHLIGHTS DURING THE THREE MONTHS ENDED SEPTEMBER 30, 2021

Corporate activities

- On November 18, 2021, the Company announced proposed changes to its Board of Directors to be submitted for approval at its upcoming annual and special meeting of the shareholders of the Company (the "AGM") to be held on December 16, 2021. The Company is proposing to increase the size of the Board from five to eight directors. In addition to Denis Miville-Deschênes (current director, President and CEO) and Jo Mark Zurel (current director and chair of the audit committee), Jonathan Cherry, Caroline Donally, Iain Farmer, Stephen J. Hicks, Melanie R. Miller and David B. Tennant will be presented as new nominees. David Fennell, who has stepped down in his executive role at the end of August 2021, Jean Desrosiers and John Johnson will not stand for re-election.
- On August 27, 2021 and September 9, 2021, the Company completed a non-brokered private placement (the "**Offering**") for total gross proceeds of Can \$26,342,993 (\$20,824,827). The Offering consisted of the issuance of

263,429,930 units ("**Units**") at a price of Can \$0.10 per Unit. Each Unit consisted of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "**Warrant**"), with each Warrant exercisable to acquire one common share of the Company at Can \$0.18 per common share until August 27, 2023. In connection with the completion of the Offering, the Company paid finder's fees in the aggregate amount of Can \$104,500. Certain insiders of the Company acquired Units in the Offering, including Orion who acquired 62,310,000 Units and Greenstone who acquired 36,635,620 Units.

- On August 27, 2021, the Company settled an amount of \$6,337,704 (including accrued interest) due to Osisko Gold Royalties Ltd ("**Osisko**") and Greenstone pursuant to a May 2019 secured loan agreement, as amended (the "**Credit Facility**").
- On August 27, 2021, the Company completed the sale of its mineral exploration project referred to as the UPX Property, acquired in May 2017 from Kennecott Exploration Company and Rio Tinto Nickel Company ("**RTX**"), through the sale of all of the issued and outstanding shares of UPX Minerals Inc. ("**UPX Minerals**"), an indirect wholly-owned subsidiary of Highland, to Sweetwater Royalties ("**Sweetwater**"), an entity owned by Orion, in exchange for a cash consideration of \$3 million and the assumption by Sweetwater of the remaining amount due of \$18.0 million under a promissory note (the "**Note**") in favor of RTX. Highland was also released from its guarantee to repay amounts owing under the Note.
- On July 27, 2021, the Company completed the acquisition of the White Pine North Project in Michigan from Copper Range Company ("**CRC**"), a wholly-owned subsidiary of First Quantum Minerals Inc. As part of the transaction with CRC, the Company has assumed environmental liabilities and obligations related to the former White Pine mine site. To that end, the Company has provided a certificate of deposit in the amount of \$1,676,149 for the benefit of the Michigan Department of Environment, Great Lakes and Energy ("**EGLE**") as financial assurance for the performance of environmental obligations associated with the remediation and closure plan of the former White Pine mine site.
- The Company realized net income of \$1.8 million during the three months ended September 30, 2021 (nil per share) compared to a net loss of \$0.9 million during the comparative period in 2020 (nil per share); net income during the 2021 period includes a gain of \$2.9 million on the sale of UPX Minerals to Sweetwater.
- As at September 30, 2021, the Company is debt free and has a working capital of \$15.6 million.
- The Company estimates that the current working capital will be sufficient: (i) to complete the update of the 2018 Copperwood Feasibility Study described below, (ii) to initiate baseline environmental studies at the White Pine North Project and (iii) to provide for management and administration expenses for at least the next 12 months.

Copperwood Project

- The Company has initiated an update of the feasibility study on its Copperwood Project which was completed in 2018, taking into account various factors including current market prices for metals, for the purchase of equipment, supplies and consumables and for labor rates. The Company has retained the services of G Mining Services Inc. ("**GMSI**"), a Canadian mining consultancy firm, targeting to complete the updated feasibility study by April 2022.

- The Company is aiming to initiate construction activities at the Copperwood Project during the summer of 2022 but its ability to do so will depend in part on the results of the updated feasibility study, the price of and demand for copper, the state of the capital market to finance the construction costs, global market conditions in general, availability of personnel, and other factors described in the *Risks and Uncertainties* section of this Interim MD&A and Annual MD&A.

White Pine North Project

- The Company plans to initiate baseline environmental studies over the coming months.

EXPLORATION AND EVALUATION EXPENSES

The amounts capitalized during the three months ended September 30, 2021 include a lease payment of \$50,000 related to the Copperwood Project and an amount of \$593,148 resulting from an increase of the environmental liability related to the White Pine North Project following its final acquisition in July 2021.

Exploration and evaluation expenses charged to earnings during the three months ended September 30, 2021 and 2020 are as follows:

	Copperwood	White Pine	Other	Three months ended Sept 30, 2021	Three months ended Sept 30, 2020
	Project	Project	expenses	Total	Total
	\$	\$	\$	\$	\$
Labour	4,025	12,094	-	16,119	17,920
Studies and consultants	38,729	18,889	-	57,618	1,622
Contractors	-	53,770	-	53,770	94,071
Office, overhead and other administrative costs	19,538	45,388	12,475	77,401	67,700
	62,292	130,141	12,475	204,908	181,313

OPERATING ACTIVITIES

During the three months ended September 30, 2021, the Company realized net income of \$1,768,726 (nil per share) compared to a net loss of \$918,918 (nil per share) during the comparative period in 2020. During the three months ended September 30, 2021, the Company realized a gain of \$2,946,908 on the sale of UPX Minerals to Sweetwater, taking into account the cash proceeds of \$3,000,000, the assumption by Sweetwater of the Note (including accrued interest) of \$17,956,985 owing to RTX and the carrying value of the UPX Property of \$18,010,077. The Company recorded finance expenses of \$322,147 during the reporting period composed mainly of accrued interest of \$202,796 on the Note due to RTX up to the date of the sale of the UPX Property on August 27, 2021 and accrued interest expense of \$119,351 on the loan due under the Credit Facility up to its repayment on August 27, 2021 (finance expenses of \$550,425 during the three months ended September 30, 2020). Other significant items during the period included exploration and evaluation expenses of \$204,908 as detailed above (\$181,813 in 2020), management and administration expenses of \$596,858 (\$269,665 in 2020) and an unrealized loss on foreign exchange of \$53,795 (a foreign exchange gain of \$99,981 in 2020) mostly related to the conversion of the loan due to Osisko and Greenstone to Canadian dollars.

Management and administration expenses during the three months ended September 30, 2021 included wages and fees to consultants of \$434,307, including an amount of \$300,000 paid to the Company's former executive chairman following the termination of his employment agreement effective August 31, 2021 (\$202,629 in 2020), higher professional fees due to higher legal costs related mostly to the final acquisition of the White Pine North Project and the sale of UPX Minerals (\$126,820 during the current period compared to \$37,609 in 2020), office costs of \$26,739 (\$24,191 in 2020), investor relations and travel expenses of \$3,170 (\$158 in 2020) and reporting issuer costs of \$5,822 (\$5,078 in 2020).

LIQUIDITIES AND CAPITAL RESOURCES

At September 30, 2021, the Company had a working capital of \$15,591,688 compared to a working capital deficiency of \$23,187,976 at June 30, 2021. During the three months ended September 30, 2021, the Company completed a non-brokered private placement for a net amount of \$20,665,077, completed the sale of UPX Minerals for a cash amount of \$3,000,000 and the assumption by Sweetwater of the amount owing under the Note due to RTX of \$17,956,985, reimbursed the amounts due under the Credit Facility, posted an environmental bond in the amount of \$1,676,149 related to the final acquisition of the White Pine North Project, incurred exploration and evaluation expenses of \$204,908, management and administration expenses of \$596,858 and made property payments of \$50,000.

At September 30, 2021, financial liabilities of \$890,944 consisted of accounts payable and accrued liabilities due within the next three months.

RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2021, the Company incurred administration expenses of \$15,339 from Reunion Gold Corporation ("**Reunion Gold**"), a related party by virtue of common key management and a director (\$19,387 during the comparative period in 2020). At September 30, 2021, the Company had an amount payable of \$17,418 to Reunion Gold (\$126,051 at June 30, 2021).

The remuneration to directors and key management of the Company, including the President and CEO and the CFO, during the three months ended September 30, 2021 totaled \$406,245, including an amount of \$300,000 paid to the Company's former executive chairman following the termination of his employment agreement effective August 31, 2021 (\$173,729 during the three months ended September 30, 2020).

As described in the *Corporate Activities* section, the sale of UPX Minerals to Sweetwater, an affiliate of Orion, and the participation of insiders in the Offering are also related party transactions that occurred during the three months ended September 30, 2021.

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 highly speculative.

Highland's ability to raise the necessary funds to develop its projects and place them into commercial production 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.

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.

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 expectations or beliefs of the Company's management regarding future events. Forward-looking statements include but are not limited to statements with respect to: funding requirements to explore and develop the Copperwood and White Pine North projects; the estimation of mineral resources and mineral reserves; the timing and cost of the construction of the Copperwood Project; the timing and amount of estimated future production, costs of production and capital expenditures; 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 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, 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 actual results, performance or achievements to differ materially from those described in these forward-looking statements, there may be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended.

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

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

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).