

**HIGHLAND COPPER COMPANY INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
- QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022**

*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, 2022 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, 2022 ("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, 2022 (the "Interim Financial Statements"), the Company's audited consolidated financial statements for the years ended June 30, 2022 and 2021 (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 28, 2022.*

**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 September 30, 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, 2022**

*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, prices to purchase 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, to complete the updated feasibility study

*White Pine North Project*

- A drilling program will be conducted this coming winter with the goal of upgrading the Inferred resources into the Measured and Indicated category to be used in a Feasibility Study.

- The Company has initiated baseline environmental studies as it begins the permitting process for White Pine North.

#### *Combined Scenario*

- The Company has initiated a study to better define the potential of a combined development and production scenario for Copperwood and White Pine North. Ore from both sites could then be transported from the mines, mixed and processed through the plant for production of a concentrate. We expect this study to be completed in the first half of 2023. As part of this study, the viability of refurbishing an existing rail line for the purpose of transporting ore and concentrate will be studied.
- The appeal of this scenario is a minimized environmental footprint and considerable operating synergies, in addition to a potentially higher copper production profile.

#### *Corporate activities*

- The Company realized net loss of \$1.0 million during the three months ended September 30, 2022 (nil per share) compared to net income of \$1.8 million during the comparative period in 2021 (nil per share).
- As at September 30, 2022, the Company is debt free and has a working capital (total current assets less total current liabilities) of \$10.5 million.
- On July 29, 2022, Highland Copper announced that, subject to regulatory approval, it has approved the grant of 13,300,000 incentive stock options to directors and executive officers of the Company.

## EXPLORATION AND EVALUATION EXPENSES

The amounts capitalized during the three months ended September 30, 2022 include a lease payment of \$65,000 related to the Copperwood Project.

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	Three months ended
	Project	Project	expenses	Sept 30, 2022	Sept 30, 2021
				Total	Total
	\$	\$	\$	\$	\$
Labour and contractors	197,634	50,155	-	247,789	69,889
Studies and consultants	115,227	105,925	-	221,152	57,618
Office, overhead and other administrative costs	18,928	97,843	13,596	130,367	77,401
	331,789	243,215	42,842	617,846	204,908

## OPERATING ACTIVITIES

During the three months ended September 30, 2022, the Company realized net loss of \$1,002,482 (nil per share) compared to a net gain of \$1,768,728 (nil per share) during the comparative period in 2021. During the three months ended September 30, 2022, the Company incurred expenses in its regular course of activities. In the previous year however, 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. In the previous year, it also 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 \$617,846 as detailed above (\$204,908 in 2021), management and administration expenses of \$436,994 (\$596,858 in 2021) and an unrealized loss on foreign exchange of \$412,559 (a foreign exchange gain of \$53,795 in 2021) mainly related to the fluctuations of the exchange rate.

Management and administration expenses during the three months ended September 30, 2022 included wages of \$182,748 (\$436,994 in 2021), professional fees of \$60,378 (\$126,820 in 2021), office expenses of \$120,600 (\$26,739 in 2021) and investor relations and travel of \$73,807 (\$3,170 in 2021).

### **LIQUIDITIES AND CAPITAL RESOURCES**

At September 30, 2022, the Company had working capital of \$10,544,340 compared to working capital (total current assets less total current liabilities) of \$11,793,951 at June 30, 2022.

At September 30, 2022, financial liabilities of \$1,059,557 consisted of accounts payable and accrued liabilities due within the next three months.

### **RELATED PARTY TRANSACTIONS**

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, 2022 totaled \$124,416 (\$406,245 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](http://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](http://www.sedar.com)) and on the Company's website ([www.highlandcopper.com](http://www.highlandcopper.com)).