

HIGHLAND COPPER COMPANY INC.

**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS FOR THE
YEAR ENDED JUNE 30, 2022**

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 25, 2022, covers the years ended June 30, 2022 and 2021 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2022 and 2021 (the "June 30, 2022 and 2021 consolidated financial statements"). The June 30, 2022 and 2021 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this MD&A, reference to "the Company" is to Highland and its subsidiaries. All financial results presented in this MD&A are expressed in US dollars unless otherwise indicated.

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 October 25, 2022, 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.

Fiscal 2022 was a transformational year for Highland Copper. The Company revamped its Board, sold its UPX exploration properties, released CRC from its environmental obligations with the Michigan Department of Environmental Quality, by transferring an agreed amount of \$1,676,149 with the Michigan Department of Environment, Great Lakes, and Energy ("EGLE"), completed an equity raise and subsequently paid off all corporate debt. The Company is set up well to execute development of its two key Michigan assets, Copperwood and White Pine North.

HIGHLIGHTS

Subsequent to the June 30, 2022 year-end

- 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. The options are exercisable at an exercise price of \$0.095 per share for a period of up to seven years and will vest as to one third immediately and one third on each of the first and second anniversary of the grant.

During the financial year ended June 30, 2022

Corporate activities

- The Company increased the size of the Board from five to eight directors during the financial year, after proposed changes on November 18, 2021. In addition to Denis Miville-Deschênes (current director, President and CEO) and Jo Mark Zurel (current director and chair of the audit committee), the Board of directors is now composed of Jonathan Cherry, Caroline Donally, Iain Farmer, Stephen J. Hicks, Melanie R. Miller and David B. Tennant. David Fennell, stepped down in his executive role at the end of August 2021, Jean Desrosiers and John Johnson did 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 and September 9, 2023. In connection with the completion of the Offering, the Company paid finder's fees in the aggregate amount of \$82,600. 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 \$6,337,766 (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 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 loss of \$2.1 million in 2022 compared to a net income of \$17.7 million in 2021. Net income in 2022 includes a gain of sale of the UPX Property of \$3.0 million. Net income in 2021 includes the reversal of a previous write-down of exploration and evaluation assets related to the UPX Property in the amount of \$18.0 million and a gain of \$3.0 million related to Osisko's partial exercise of its option to purchase a 100% NSR royalty on future silver production from the Company's projects.

- As at June 30 2022, the Company is debt free and has a working capital (total current assets less total current liabilities) of \$11.8 million.
- To date, the Company has not yet generated positive cash flows from its operating activities and is in the exploration and development stage. The Company has a deficit of \$66,026,815 at June 30, 2022 (a deficit of \$63,970,379 at June 30, 2021). The Company has relied upon external financings, primarily through the issuance of equity, as well as proceeds from the disposal of exploration and evaluation assets, to fund its operations in the past. Since the Company does not generate revenues, the Company will need to obtain additional funds through the issuance of shares, the exercise of warrants and share options or from other sources to pursue its operations and meet its obligations related to the development of the Copperwood and White Pine North projects beyond the current fiscal year. Despite the fact that it has been able to raise fund in the past, there is no guarantee of success for the future. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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 December 2022.

White Pine North Project

- The Company plans to initiate baseline environmental studies over the coming months.
- Subsequent to year-end, the Company also announced plans to complete an infill drilling program during fiscal year 2023 with the intention of progressing to a Feasibility Study on White Pine North.

OUTLOOK

Following the completion of the Offering and transactions described in the *Highlights* section above, the Company is debt free and has a working capital (total current assets less total current liabilities) of approximately \$11.8 million as at June 30, 2022.

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 December 2022. The updated feasibility study will also consider optimizations, particularly the impact of using continuous miners.

At the White Pine North Project, the Company plans to initiate baseline environmental studies over the coming months and complete an infill drilling program during fiscal year 2023 with the intention of progressing to a Feasibility Study on White Pine North.

PRIVATE PLACEMENT

The Company completed the Offering in two tranches, on August 27 and September 9, 2021, resulting in total gross proceeds of Can \$26,342,993. 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 and September 9, 2021. In connection with the completion of the Offering, the Company paid finder's fees in the aggregate amount of \$82,600.

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, after which they respectively own approximately 27.7% and 15.9% of the common shares of the Company.

ACQUISITION OF THE WHITE PINE NORTH PROJECT

On May 13, 2014, the Company acquired from CRC all rights, title and interest in the White Pine North Project. On July 27, 2021, in accordance with the acquisition agreement, Highland (i) deposited an agreed amount of \$1,676,149 with the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. Highland assumed all of CRC's environmental liabilities related to the former White Pine mine site and will also be responsible for all ongoing environmental obligations.

Upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, the Company will pay to CRC 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 1 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 "Contingent Consideration"). At June 30, 2022, the Company has not yet estimated any proven and probable reserves at the White Pine North Project and has not yet completed a feasibility study or initiated the activities required to obtain the necessary permits. Consequently, the Company has not yet accounted for this contractual contingent liability.

SALE OF THE UPX PROPERTY

On August 27, 2021, the Company completed the sale of the UPX Property to a subsidiary of Orion Mine Finance ("Orion"), a significant shareholder of the Company for a total cash proceeds of \$3,000,000 and the assumption of the promissory note. As a result of the transaction, the Company recorded a gain on disposal of \$2,946,908 in the year ended June 30, 2022. During the year ended June 30, 2021, the Company reversed the previous write-down of exploration and evaluation assets in the amount of \$18,010,077.

ROYALTY AGREEMENTS WITH OSISKO

In accordance with an agreement entered into in December 2014 (and subsequently amended in June 2016), Osisko Gold Royalties Ltd. ("Osisko") held a 3.0% net smelter return royalty on all metals to be produced from the mineral rights and leases associated with the Copperwood Project (the "Copperwood NSR"). The June 2016 amendment provided that upon final closing

of the acquisition of the White Pine North Project, the Company would grant Osisko a 1.5% NSR royalty on all metals to be produced from the White Pine North Project, and Osisko's royalty on the Copperwood Project would be then reduced to 1.5%. In December 2014, the Company had also granted to Osisko an option to purchase for \$26 million a 100% NSR on future silver production from the Company's projects (the "Silver Option Royalty").

On June 29, 2021, the Company entered into an agreement with Osisko (the "2021 Osisko Agreement") pursuant to which Osisko has exercised a portion of its Silver Option Royalty on future production from the Copperwood and White Pine North projects. Pursuant to the 2021 Osisko Agreement, which modified the terms and conditions of the exercise of the Silver Option Royalty (including the removal of silver from the Copperwood NSR agreement), the Company has received an initial payment of \$3 million (the "Initial Payment") in consideration for which the Company has granted Osisko a 3/26th NSR royalty on all future silver production from the Copperwood and White Pine North projects. Osisko has the option to acquire the remaining 23/26th NSR royalty on all silver produced from the Copperwood and White Pine North projects by paying an additional \$23 million to Highland within 60 days following the delivery of a feasibility study on the White Pine North Project.

The Initial Payment was accounted for as a sale of a portion of the Copperwood and White Pine North projects. The carrying value of the exploration and evaluation assets disposed was determined taking into account silver income relative to income from all metals to be produced at the Copperwood and White Pine North projects. The resulting amount of \$3,450 reduced the carrying amount of the Copperwood and White Pine North projects with the difference accounted for as a gain on disposal.

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: Upper Peninsula Copper Holdings Inc., Copperwood Resources Inc., White Pine Copper LLC and Keweenaw Copper Co.

COPPERWOOD PROJECT

Copperwood is a development stage copper project located in the Upper Peninsula of Michigan, USA within the Porcupine Mountains copper district. The Copperwood Project consists of a number of mineral leases, which call for annual rental payments until 2036. The mineral leases are also subject to quarterly NSR royalty payments that will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. The mineral leases are valid until the later of the 20th anniversary of the date of the lease or the date the Company ceases to be actively engaged in development, mining, or related operations on the property. The mineral leases may be terminated by the Company on 60 days' notice.

A feasibility study, under the supervision of GMSI was completed in June 2018 and on July 31, 2018, the Company filed on SEDAR and on its website 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**").

2018 Feasibility Study Highlights

- Base case using an average copper price of \$3.15/lb and an average silver price of \$16.00/oz;
- After-tax internal rate of return ("**IRR**") of 18.0%;
- After-tax net present value ("**NPV**") at 8% of \$116.8 million;
- Initial capital expenditures of \$275.0 million;
- Life-of-mine ("**LOM**") cash costs of \$1.75/pound, including royalties;

- Proven and probable reserves of 25.4 million tonnes at 1.43% and 3.83 g/t Ag, containing 0.8 billion pounds of copper and 3.1 million ounces of silver; the mineral reserves were estimated using a copper price of \$3.00/lb and a silver price of \$16.00/oz;
- In addition, inferred mineral resources of 49.9 million tonnes at 1.15% Cu and 3.4 g/t Ag, containing 1.3 billion pounds of copper and 5.5 million ounces of silver;
- Mine life of 10.7 years, including one year of ramp-up, with average annual LOM payable copper production of 61.7 million pounds and 0.1 million ounces of silver.

Updated Feasibility Study

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 December 2022.

The updated feasibility study will also consider optimizations, particularly the impact of using continuous miners.

Permitting

The Company has received all major permits required to build the Copperwood Project, including an amendment to the Mining Permit originally granted in 2012, approved by EGLE in December 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 from EGLE 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) (required to operate) is outstanding and a final decision is expected shortly.

Contingencies and royalties 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 Minerals Corp ("**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.

Quarterly NSR royalty payments ranging from 2% to 4% on a sliding scale based on inflation-adjusted copper prices will be payable under the mineral leases. In addition, a 1.5% NSR royalty on all metals produced (other than silver) and a 3/26th NSR royalty on silver production from the Copperwood Project are payable to Osisko, as described further in the *Royalty Agreements with Osisko* section.

WHITE PINE NORTH PROJECT

The White Pine North Project is located in the historical copper range district of the Upper Peninsula of Michigan, U.S.A. CRC had acquired the original White Pine mine in 1937. 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.

In June 2019, the Company retained the services of GMSI to prepare a preliminary economic assessment ("**PEA**") and a mineral resource estimate for the White Pine North Project. The mineral resource estimate and results of the PEA were released on September 23, 2019. The technical report supporting the results was prepared pursuant to NI 43-101 and is available on SEDAR and on the Company's website.

2019 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 LEASE AGREEMENT, WHITE PINE, MICHIGAN

In April 2015, the Company entered into a 20-year lease agreement, with an option for an additional 5 years, for certain mineral rights located in White Pine, Michigan. The lease agreement includes annual lease payments of \$30,000 in 2021 (payment made) and 2022, and \$1,000,000 thereafter. Upon commencement of production, Highland will have to pay to the holder of the mineral rights (the "Lessor") a sliding scale royalty on copper and silver production from the leased mineral rights with a base royalty of 2% for copper and 2.5% for silver. Highland may terminate the lease at any time upon a 30-day notice.

QUALIFIED PERSON

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

Restructuring of the Board and Management

On August 27, 2021, concurrently with the completion of the first tranche of the private placement and the sale of UPX, long-time director David Fennell agreed to step down as Executive Chairman. Jo Mark Zurel took over the Chair of Board position. Osisko exercised its right to nominate one individual to stand for election as director. The Company initiated a search for additional directors to strengthen and diversify the Company's Board of Directors, and successfully added Jonathan Cherry, Caroline Donally, Iain Farmer, Stephen Hicks, David Tennant and Melanie Miller.

Rights of Certain Shareholders

Following their participation in the Company's non-brokered private placement of units completed in 2017, Greenstone received nomination rights for the sale of the Company'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 interest in future equity financings.

SELECTED CONSOLIDATED FINANCIAL INFORMATION ⁽¹⁾

The following selected financial information should be read in conjunction with the Company's June 30, 2022 and 2021 consolidated financial statements.

Financial Position	June 30, 2022	June 30, 2021
	\$	\$
Cash	12,929,815	2,982,600
Exploration and evaluation assets	22,856,259	38,740,479
Total assets	37,613,860	41,791,395
Credit Facility	-	6,218,415
Promissory Note	-	17,754,189
Shareholders' equity	34,258,605	15,307,674

Comprehensive Income (Loss)	Year ended June 30, 2022	Year ended June 30, 2021	Year ended June 30, 2020
	\$	\$	\$
Net (loss) income for the year	(2,056,436)	17,679,781	(4,371,338)
Basic and diluted earnings (loss) per share	0.00	0.04	(0.01)

Cash Flows	Year ended June 30, 2022	Year ended June 30, 2021	Year ended June 30, 2020
Operating activities	(5,377,865)	(386,342)	(1,809,294)
Investing activities	1,022,385	2,742,725	(172,744)
Financing activities	14,327,310	432,463	1,578,448

1) *The Selected Consolidated Financial Information was derived from the Company's June 30, 2022 and 2021 consolidated financial statements, prepared in accordance with IFRS.*

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.

Below is a discussion of the major items impacting the Company's financial results for the years ended June 30, 2022 and 2021.

Exploration and evaluation expenses

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 North Project	UPX Property	Other properties	Total
	\$	\$	\$	\$	\$
Balance at June 30, 2020	17,312,259	3,157,246	-	167,482	20,636,987
Acquisition	227,275	30,000	-	-	257,275
Sale of a silver royalty to Osisko	(1,500)	(1,950)	-	-	(3,450)
Reversal of write-down	-	-	18,010,077	-	18,010,077
Write-down	-	-	-	(197,904)	(197,904)
Effect of foreign exchange	-	7,072	-	30,422	37,494
Balance at June 30, 2021	17,538,034	3,192,368	18,010,077	-	38,740,479
Acquisition	266,025	30,000	-	-	296,025
Addition to environmental liability	-	1,812,650	-	-	1,812,650
Disposition	-	-	(18,010,077)	-	(18,010,077)
Effect of foreign exchange	-	17,182	-	-	17,182
Balance at June 30, 2022	17,804,059	5,052,200	-	-	22,856,259

The amounts capitalized during the year ended June 30, 2022 consisted of lease payments of \$266,025 related to the Copperwood Project and \$30,000 related to the White Pine North Project. As a result of the sale of the UPX Property (described in the *Sale of UPX Property* section), the Company reversed a previous write-down of exploration and evaluation assets related to the UPX Property, in the amount of \$18,010,077. On April 22, 2021, the Company received a lease termination notice for the non-payment of the December 2020 rental fee, related to an exploration property located in the Upper Peninsula, Michigan, on which the Company had conducted minimal work in the past. Consequently, the Company has written off the amount of \$197,904 in exploration and evaluation assets related to this mineral lease.

The amounts capitalized during the year ended June 30, 2021 consisted mostly of lease payments of \$227,275 related to the Copperwood Project and \$30,000 related to the White Pine North Project. In accordance with the 2021 Osisko Agreement described in the *Royalty Agreements with Osisko* section, the Company received on June 29, 2021 an initial payment of \$3,000,000 from Osisko. This payment was accounted for as a sale of a portion of the Copperwood and White Pine North projects and as such, an amount of \$3,450 reduced the carrying amounts of the Copperwood and White Pine North projects with the difference accounted for as a gain on disposal of exploration and evaluation assets.

Exploration and evaluation expenses charged to the statements of comprehensive loss during the years ended June 30, 2022 and 2021 are detailed below.

	Copperwood Project	White Pine North Project	Year ended	Year ended
			June 30, 2022	June 30, 2021
			Total	Total
	\$	\$	\$	\$
Labour	554,100	89,400	643,500	90,168
Studies	850,070	118,192	968,262	91,725
Contractors	-	-	-	207,176
Office, overhead and other administrative costs	142,156	181,914	324,070	201,048
	1,546,326	389,506	1,935,832	590,117

Results for the year ended June 30, 2022 compared to year ended June 30, 2021

The Company realized net loss of \$2,056,436 (\$0.00 per share) during the year ended June 30, 2022 ("FY 2022") compared to a net income of \$17,679,781 (\$0.0 per share) during the year ended June 30, 2021 ("FY 2021"). Net income in FY 2022 includes 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. As part of net income during FY 2022, the Company recorded finance expense of \$321,147 (\$2,031,082 in FY 2021) composed mostly of interest due on promissory note. Other significant items included exploration and evaluation expenses of \$1,998,129 (\$590,117 in FY 2021), management and administration expenses of \$2,327,434 (\$1,005,129 in FY 2021) and a gain on foreign exchange of \$17,411 (\$527,135 in FY 2021) mostly due to the conversion of the loan due to Osisko and Greenstone to Canadian dollars.

The Company incurred exploration and evaluation expenses of \$1,998,129 in FY 2022 compared to \$590,117 in FY 2021. In FY 2022, the expenses consisted mainly of labor fees and studies from various consultants for both Copperwood and White Pine projects. In FY 2021 expenses consisted mostly of fees related to the completion of an environmental site assessment relating to the final closing of the White Pine North acquisition and maintenance costs related to the former White Pine mine site.

Management and administration expenses of \$2,327,434 in FY 2022 compared to \$1,005,129 in FY 2021 reflect mostly additional fees to senior key management, which are the former Chairman, current CEO, previous CFO and current CFO (wages and fees of \$1,537,116 in FY 2022 compared to \$687,727 in FY 2021), higher professional fees due mostly to higher legal fees resulting from the completion of the 2021 Osisko Agreement, and the advancement of work required to complete the final closing of the White Pine North Project and the sale of UPX (\$481,350 in FY 2022 compared to \$184,333 in FY 2021), higher office costs (\$140,345 during FY 2022 compared to \$102,730 in 2021), higher investor relations and travel expenses (\$121,351 in FY 2022 compared to \$2,111 in FY 2021) and higher reporting issuer costs (\$47,271 in FY 2022 compared to \$28,228 in FY 2021).

Share-based compensation of \$405,109 in FY 2022 (\$0 in FY 2021) as the Company has granted 10,000,000 options during the year, in comparison to none in the prior year.

4th quarter ended June 30, 2022 compared to the 4th quarter ended June 30, 2021

During the 4th quarter ended June 30, 2022, the Company realized net loss of \$1,185,937 (nil per share) compared to a net income of \$20,160,998 (\$0.04 per share) during the 4th quarter ended June 30, 2021. Net loss during the 4th quarter ended June 30, 2022 was strictly related to expenses incurred, while the net income during the 4th quarter of June 30, 2021, included the reversal of a previous write-down of exploration and evaluation assets related to the UPX Property in the amount of \$18,010,077.

During the 4th quarter ended June 30, 2022, the Company also recorded finance expenses of nil (\$375,518 during the comparative period in 2021) on the Note due to RTX and the loan due to Greenstone and Osisko. Other significant items included exploration and evaluation expenses of \$521,732 (\$92,130 in 2021), management and administration expenses of \$785,520 (\$265,585 in 2021) and a gain on foreign exchange of \$207,596 (\$91,582 in FY 2021) mostly due to the conversion of the Canadian entity in USD.

Selected Quarterly Financial Information

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

Period ended	Revenues	Net income (loss)	Basic and diluted earnings (loss) per share
	\$	\$	\$
June 30, 2022 (a)	-	(1,185,937)	(0.00)
March 31, 2022 (b)	-	(1,755,228)	(0.00)
December 31, 2021 (c)	-	(884,001)	(0.00)
September 30, 2021 (d)	-	1,768,728	0.00
June 30, 2021 (e)	-	20,160,998	0.01
March 31, 2021 (f)	-	(844,542)	(0.00)
December 31, 2020 (g)	-	(717,757)	(0.00)
September 30, 2020 (h)	-	(918,918)	(0.00)

(a) Includes exploration expenses of \$521,732

(b) Includes exploration expenses of \$936,468

(c) Includes exploration expenses of \$335,021

(d) Includes exploration expenses of \$204,908

(e) Includes the reversal of a previous write-down of exploration and evaluation assets related to the UPX Property in the amount of \$18,010,077, a gain on disposal of exploration and evaluation assets related to the Copperwood and White Pine North projects of \$2,996,550, exploration expenses of \$92,130 and finance expenses of \$375,517.

(f) Includes exploration expenses of \$115,376 and finance expenses of \$534,094

(g) Includes exploration expenses of \$201,298 and finance expenses of \$571,046

(h) Includes exploration expenses of \$181,31 and finance expenses of \$550,425

Liquidity and Capital Resources

At June 30, 2022, the Company had a working capital (total current assets less total current liabilities) of \$11,793,950 compared to a working capital deficiency of \$23,187,976 at June 30, 2021. The increase in the working capital during the year ended June 30, 2022 is mainly attributable to the extinction of the Company's debts, which was translated into the reimbursement of the loan facility as well as the reimbursement of the promissory note. This was possible because of the private placement.

The Company completed a non-brokered private placement for total gross proceeds of \$20.8 million, completed the sale of UPX Minerals to Sweetwater for a cash consideration of \$3 million and the assumption by Sweetwater of the \$15 million principal amount plus accrued interest owing to RTX, and settled the amount of \$6.3 million due to Osisko and Greenstone under the Credit Facility, resulting in the Company being debt-free with a working capital of approximately \$11.8 million as of June 30, 2022.

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 mineral projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. As at June 30, 2022, managed capital was \$34,258,605 (\$39,280,278 at June 30, 2021). There were no changes in the Company's approach to capital management during the year ended June 30, 2022. The Company is not subject to any externally imposed capital requirements as at June 30, 2022.

Off-Balance Sheet Arrangements

As at June 30, 2022, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the year ended June 30, 2022, the Company incurred administration expenses of \$615,312 from Reunion Gold Corporation, a related party by virtue of common management and directors (\$64,287 in 2021). Reunion Gold Corporation was a related party only for the period covering July 2021 to February 2022.

At June 30, 2022, the Company had an amount payable of \$3,041 to Reunion Gold Corporation, included in accounts payable and accrued liabilities on the consolidated statements of financial position (\$126,051 at June 30, 2021).

Remuneration to directors and key management of the Company, including the former CFO, totaled \$615,312 during the year ended June 30, 2022 (\$560,233 in 2021).

The sale of UPX Minerals to Sweetwater, an affiliate of Orion, as described in the *Sale of the UPX Property* section and the participation of insiders in the Offering as described in the *Private Placement* section, as well as the credit facility, are related party transactions that occurred during the year.

Outstanding Share Data

As at October 25, 2022, the Company has 736,363,619 common shares issued and outstanding, 131,714,965 share purchase warrants exercisable at a price of Can \$0.18 per share until August 27, 2023 and September 9, 2023, the Company has 30,825,000 stock options outstanding with an average exercise price of Can \$0.12, expiring at various dates until February 2027.

Basis of Presentation of Financial Statements

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's consolidated financial statements are consistent with those of the previous year. The significant accounting policies of Highland are presented in Note 3 to the June 30, 2022 and 2021 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, going concern and environmental liabilities. Details of the significant accounting judgments and estimates are presented in Note 3 to the June 30, 2022 and 2021 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, credit risk, interest rate risk and currency 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's ability to continue as a going concern is dependent on management's ability to raise the funds required for its continued operations.

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2022:

	Carrying amount	Settlement amount	Within 1 year	2 years	Over 2 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,257,830	1,257,830	1,257,830	-	-
	1,257,830	1,257,830	1,257,830	-	-

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 which is mainly held in accounts with a major Canadian-based chartered bank.

Interest Rate Risk

The Company's interest rate risk relates to cash and the promissory note. As at June 2022, the Company no longer has any loans to be paid.

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 dollars. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. 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, 2022, financial assets and liabilities denominated in a foreign currency consisted of cash of \$2,083,256, as well as accounts payable and accrued liabilities of \$121,654. The impact on profit or loss of a 10% increase or decrease in the US dollar against the Canadian dollar would be approximately \$200,000.

OTHER RISKS AND UNCERTAINTIES

The Company 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 the Company's overall operations and financial condition and could materially affect the value of the Company'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 the Company could be facing. Additional risks or uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair its business operations. The Company 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 the Company to achieve its plans and objectives is dependent on its ability to raise sufficient amount of capital through equity financings, debt financings, joint venture, sale of projects and / or other means. The Company will need substantial amount of funds to develop its Copperwood and White Pine North Projects and to place them into commercial production. If adequate financing is not available, the construction of a mine and the commencement of production may be delayed indefinitely.

The Company's ability to raise additional funds will depend on a number of factors including the market's perception of its mineral projects, the results of the studies and work programs on the projects, the price of and demand for copper and other metals, the state of the capital market to finance mineral resource projects and global market conditions in general, social acceptability for the development of the projects and regulatory approvals. No assurance can be given that additional capital will be available at all or available on terms acceptable to The Company.

COVID-19

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 additional the funds to continue its planned activities, the continued spread of the COVID-19 globally could also have an impact on employees health, the availability of personnel, the execution of field programs 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.

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 members of the Company's management have mine construction and operating experience, as a corporation, the Company does not have any experience in taking a mining project to production; as a result, the Company'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. The Company has taken steps to verify title with respect to its most material mineral properties. Although the Company believes that titles are in good standing there is no guarantee that title to such mineral properties will not be challenged or impugned.
- The Company'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 the Company 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 North Project which is subject to a consent decree; as part of the acquisition of the White Pine North Project, the Company has assumed environmental responsibilities and risks related to the former White Pine mine site which Highland may be unable or choose not to insure.
- Necessary permits to operate may not be granted or may be granted later than anticipated.
- The executive officers, directors, and several shareholders of Highland (including Orion, Condire and Greenstone) and their affiliated entities together beneficially own a majority of Highland'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 shareholder approval, 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 the Company 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. The Company may need to obtain the services of qualified people located outside of the USA which would 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.
- 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.
- 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 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 reliance on these 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 25, 2022. 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).