

HIGHLAND COPPER COMPANY INC.
**MANAGEMENT’S DISCUSSION & ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS FOR THE
YEAR ENDED JUNE 30, 2023**

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, 2023, covers the years ended June 30, 2023 and 2022 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2023 and 2022 (the “June 30, 2023 and 2022 consolidated financial statements”). The June 30, 2023 and 2022 consolidated financial statements have been prepared in accordance with IFRS Accounting 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 principal projects are **Copperwood**, a feasibility stage copper project, and **White Pine North (34% interest)**, an advanced-stage copper project, both located in the Upper Peninsula region of the State of Michigan, USA. Copperwood is expected to produce approximately 30,000 tonnes of copper per year for 11 years, with potential upside from the Inferred tonnage. Copperwood is fully permitted to develop and operate. White Pine North is expected to produce approximately 45,000 tonnes of copper per year for more than 20 years.

Fiscal 2023 was a significant year for Highland with updated technical studies issued on both key projects. Highland also articulated its strategy to sequence the development of Copperwood on a stand-alone basis, sequenced by the development of White Pine North. Subsequent to year-end, Highland sold 66% of White Pine North to Kinterra Copper USA LLC (‘Kinterra’) for \$30 million. This transaction secured significant capital and technical capacity to set the stage for advancing both projects.

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 June 30, 2023, 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.

ANNUAL HIGHLIGHTS

- Highland issued an updated Feasibility Study on the Copperwood project dated effective March 6, 2023 (posted to SEDAR on April 20, 2023). Importantly, an alternative process water solution incorporated in the updated Feasibility Study eliminated the need for the Section 10 Water Intake permit. Copperwood has received all required State of Michigan permits required for site development and operations. Highland looks forward to advancing Copperwood to development and production.
- On October 25, 2022, Highland announced that Jo Mark Zurel would be stepping down as Board Chair and introduced Stephen Hicks as his successor. Mr. Hicks has served as President and Chief Executive Officer of JM Longyear, LLC, a privately held Michigan-based asset management company, since 2000. He has extensive expertise in development and execution of long-term business strategies and operations and has been involved in mining and resource projects in the states of Michigan and Minnesota.
- Subsequent to year-end, Highland issued an updated Preliminary Economic Assessment ("PEA") on White Pine North dated effective July 12, 2023 (posted to SEDAR on September 7, 2023). As a past producer, White Pine North has certain State of Michigan permits already in place. The permitting process for the balance of the required state permits is underway.
- On July 24, 2023, Highland announced that it had sold 66% of White Pine North to Kinterra. Kinterra will be the operator of the project bringing their significant technical expertise to advance the project through the Feasibility Study and permitting stages. Highland 34% stake of White Pine North remains significant to its overall asset value.
- On October 11, 2023, Highland announced that Denis Miville-Deschenes, President and Chief Executive Officer, would depart the Company. Barry O'Shea, Highland's Chief Financial Officer, has been appointed by Highland's Board as Interim CEO, effective immediately, while the Board seeks a full-time replacement.

PROJECT UPDATES

Copperwood Project

On March 6, 2023, Highland announced the results of an updated Feasibility Study. Following are the key operating and financial highlights of Copperwood:

- After-tax internal rate of return ("IRR") of 17.6%. Initial capital expenditures of \$391 million, net of pre-production revenue of \$34 million.
- Life-of-mine ("LOM") operating costs of \$1.83/lb, and \$1.55/lb (including royalties) in the first five years of production.
- Proven and Probable Reserves of 25.7 million tonnes ("M t") @ 1.45% Cu and 3.91 g/t Ag, containing 820 million pounds ("M lb") of copper and 3.2 million ounces of silver.

- Additional Mineral Resources of 79.1 Mt @ 1.09 % Cu and 3.6 g/t Ag in the Inferred category, containing 1.9 billion pounds ("B lb") of copper and 9.0 million ounces ("M oz") of silver using a 0.9% Cu cut-off.
- Average annual LOM payable copper production of 64.6 M lb and 106,966 ounces of silver over 11 years.
- Net Present Value (8% Discount Rate) of \$222 million before taxes and \$168 million after taxes.

The Feasibility Study update was completed by, and under the supervision of, G Mining Services Inc. ("**GMSI**") in collaboration with Foth Infrastructure and Environment. The study provides a comprehensive overview of the Copperwood Project and defines an economically feasible, technically and environmentally sound project.

The Copperwood Project holds all key Michigan State permits required to proceed with site construction and operation. The detailed design for stream and wetland mitigation work as per permit conditions has been completed. Importantly, an alternative process water solution incorporated in the Feasibility Study Update eliminates the need for the Section 10 Water Intake permit.

Considerable opportunities remain to improve the Copperwood project's economic return. The applicability of ore sorting to remove waste and low-grade material has been tested with positive results. The potential economic impact will be assessed and incorporated in the detailed engineering phase or in subsequent studies. Additional metallurgical and geotechnical test work will also be performed to determine the potential to reduce reagent consumption and ground support costs.

With permitting and Feasibility Study complete, the following key steps will be initiated to facilitate a construction decision at Copperwood:

- **Early Site Works:** certain early site work must be completed to meet permit obligations under the Wetlands and Streams Permit. Subsequent to year-end, Highland initiated permitted impacts, which include site clearing and grubbing, at Copperwood.
- **Environmental Mitigation:** work will begin on environmental mitigation commitments under the Wetland and Streams Permit which must be completed within one year of on-site impact. The impact and mitigation costs are included in the Feasibility Study. After year-end, Highland initiated the required environmental mitigations.
- **Detailed Engineering:** detailed engineering will be initiated, particularly for long-lead items and any aspects of the project being included in early site works.
- **Construction Finance Plan:** capital markets will continue to be assessed and Highland will develop a broad financing plan for the construction of the Copperwood Project.

Highland looks forward to progressing Copperwood to financing, development, and operations.

White Pine North Project

Subsequent to year end, Highland announced the results of an updated PEA for White Pine North. Following are the key operating and financial highlights of the White Pine North Project:

Strong Economic Returns with Leverage to Copper Price Changes

- After-tax NPV8% of \$821 million (at \$4.00/pound copper price)
- 20.8% after-tax IRR
- At \$4.50/pound copper price, after tax NPV8% of \$1.2 billion and IRR of 25.4%

Improved NPV to Initial Capital Expenditure Ratio

- Initial capital expenditures of \$615 million, net of pre-production revenue of \$265 million
- NPV to initial capital expenditure ratio of 1.33

Significantly Increased Resource Base

- Indicated mineral resource containing 3.5 billion pounds of copper (150.7 million tonnes at 1.05% Cu) and 65.5 million ounces of silver (13.5 g/t Ag)
- Inferred mineral resource containing 2.2 billion pounds of copper (96.4 million tonnes at 1.03% Cu) and 27.8 million ounces of silver (9.0 g/t Ag)
- From the above resource, mineralized material included in the mine plan of 115.8 million tonnes at 0.97% Cu and 11.09 g/t Ag, containing 2.47 billion pounds of copper and 41.3 million ounces of silver

Long-lived Asset with Strong Cash Flows

- Mine life of 21.8 years, including 21 months of ramp-up, with average annual LOM payable copper production of 93.5 million pounds and 1.2 million ounces of silver
- Life-of-mine ("LOM") average C1 cash costs of \$1.58/lb, net of by-product
- Undiscounted average annual operating cash flow of approximately \$210 million and annual free cash flow of approximately \$160 million (excluding initial capital)

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.

White Pine North Transaction

Subsequent to year-end, Highland completed a transaction with Kinterra Copper USA LLC ("Kinterra") in which the Company sold 66% of the common shares of White Pine LLC which owns the White Pine North Project. Kinterra will bring additional financial and technical strength required to progress the project through to development. Kinterra made a cash payment of \$30 million to Highland in return for 66% of common shares. Additionally, Kinterra has agreed to spend a further \$30 million to advance the project through permitting, infill drilling and feasibility study.

The following are the key terms of the investment by Kinterra:

- **Initial Investment of \$30 million for 66% of White Pine North Project:** The initial investment reflects Kinterra's endorsement of the underlying asset value of White Pine North. The cash is unrestricted and can be used at Highland's discretion. Highland has assigned a portion of the proceeds to advancing the fully permitted Copperwood project to a construction decision in 2024. The purchase and sale of the interest in White Pine Copper LLC has been completed and is fully funded.
- **Budget of Additional \$30 million to Advance White Pine North:** In addition to its \$30 million initial investment, Kinterra has agreed to fund, subject to certain conditions, a further \$30 million in expenditures to advance the White Pine North project. The commitment will consist of \$20 million representing Kinterra's 66% pro rata expenditure, as well as a \$10 million unsecured loan to fund Highland's pro rata expenditure. This loan will be available to Highland to satisfy cash calls. The investment will allow the joint venture project to progress quickly into permitting, infill drilling and through feasibility study.
- **Unsecured \$10 million Loan from Kinterra:** The \$10 million unsecured loan to cover cash calls will be available to Highland Copper at coupon of 10% and will mature in July 2026. A second unsecured loan (on the same terms) will become available to Highland after this \$30 million has been spent on White Pine North, assuming any initial loan has been repaid. The second loan will have a maturity of July 2028. Besides cash calls and participation on the management and technical committees, Highland is not subject to any other obligations regarding Kinterra.

The agreement contemplates that White Pine LLC will be governed by a management committee, which will consist of three representatives appointed by Kinterra, and two by Highland. Highland expects to continue to be involved in the development of the White Pine North project. The management committee will propose programs and budgets for future expenditures. Highland will have the option to elect to participate in future work programs.

Going forward, Kinterra and Highland will work proactively through the permitting and feasibility study process.

OUTLOOK

Highland Copper is debt free and has a working capital (total current assets less total current liabilities) of approximately \$5.2 million as at June 30, 2023. Subsequent to year-end, the Kinterra transaction added a further \$30 million in cash to the balance sheet available for Copperwood and corporate purposes. The transaction with Kinterra has provided an additional \$30 million commitment to advancing White Pine North. This allows significant capital to advance both key Michigan projects.

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities. The recovery of amounts recorded for exploration and evaluation assets depends on the ability of the Company to obtain the necessary financing to complete the development of the projects, and future profitable production from the projects or proceeds from their disposition thereof.

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 \$72,830,802 at June 30, 2023 (a deficit of \$66,026,815 at June 30, 2022). At June 30, 2023, the Company has working capital (total current assets less total current liabilities) of \$5,171,245 (\$11,793,950 at June 30, 2022). 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 funds 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.

The conditions and uncertainties described above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for the consolidated financial statements, adjustments which could be material would be necessary to the carrying value of assets and liabilities and reported expenses.

With its key assets 100% owned Copperwood, 34% owned White Pine North, a consolidated multi-billion-pound resource base, and an additional \$30 million in liquidity, Highland looks forward to contributing to critically needed US domestic copper supply through production growth with these advanced-stage projects.

The Company estimates that the current working capital will be sufficient: (i) to provide for management and administration expenses for at least the next 12 months; (ii) complete the require site works at Copperwood to meet permit obligations; and (iii) meet its White Pine North cash call obligations over the next 12 months.

QUALIFIED PERSON

The technical information included in this MD&A has been reviewed and approved by Nicolas Ménard, P. Eng. and a qualified person under NI 43-101.

CORPORATE ACTIVITIES

- In July 2022, the company granted 13,300,000 options during the year, in comparison to none in the prior year.
- As at June 30, 2023, the Company is debt free and has working capital (current assets less current liabilities) of \$5.2 million.
- On October 16th, 2023, it was resolved that Highland would issue 16,250,000 common share options to its board of directors as well as its CFO, with a 7-year issuance date.

Restructuring of the Board and Management

On December 14, 2022, Stephen Hicks was newly has appointed Chair of the Board of Directors.

On October 11th 2023, Denis Miville-Deschenes, former CEO, departed from the Company. Barry O'Shea, the Company's current CFO, has been appointed interim-CFO.

The members of the Board of Directors remain Stephen J. Hicks, Jo Mark Zurel, Jonathan Cherry, Caroline Donally, Iain Farmer, Melanie R. Miller and David B. Tennant.

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, 2023 and 2022 consolidated financial statements.

Financial Position	June 30, 2023	June 30, 2022
	\$	\$
Cash	7,030,317	12,929,815
Exploration and evaluation assets	24,113,990	22,856,259
Total assets	31,916,502	37,613,860
Shareholders' equity	27,979,764	34,258,605

Comprehensive Income (Loss)	Year ended June 30, 2023	Year ended June 30, 2022	Year ended June 30, 2021
	\$	\$	\$
Net (loss) income for the year	(6,803,987)	(2,056,436)	17,679,781
Basic and diluted earnings (loss) per share	0.01	0.00	(0.01)

Cash Flows	Year ended June 30, 2023	Year ended June 30, 2022	Year ended June 30, 2021
	\$	\$	\$
Operating activities	(6,415,225)	(5,377,865)	(386,342)
Investing activities	613,734	1,010,929	2,742,725
Financing activities	-	14,327,310	432,463

1) *The Selected Consolidated Financial Information was derived from the Company's June 30, 2023 and 2022 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 factors 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, 2023 and 2022.

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	Total
	\$	\$	\$	\$
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
Acquisition	266,025	1,000,000	-	1,266,025
Effect of foreign exchange	-	(8,294)	-	8,294
Balance at June 30, 2023	18,070,084	6,043,906	-	24,113,990

The amounts capitalized during the year ended June 30, 2023 consisted of lease payments of \$266,025 related to the Copperwood Project and \$1,000,000 related to the White Pine North Project.

The amounts capitalized during the year ended June 30, 2022 consisted mostly of lease payments of \$266,025 related to the Copperwood Project and \$30,000 related to the White Pine North Project.

Exploration and evaluation expenses charged to the statements of comprehensive loss during the years ended June 30, 2023, and 2022 are detailed below.

	Copperwood Project	White Pine North Project	Other expenses	Year ended June 30, 2023 Total	Year ended June 30, 2022 Total
	\$	\$		\$	\$
Labour	1,407,662	571,753	-	1,979,505	643,500
Studies	-	2,083,785	-	2,083,785	968,262
Office, overhead and other administrative costs	155,130	424,004	30,451	609,585	324,070
	1,562,792	3,603,832	30,451	4,672,875	1,935,832

Results for the year ended June 30, 2023 compared to year ended June 30, 2022

The Company realized net loss of \$6,803,987 (\$0.01 per share) during the year ended June 30, 2023 ("FY 2023") compared to a net loss of \$2,056,436 (\$0.00 per share) during the year ended June 30, 2022 ("FY 2022"). As part of loss income during FY 2023, the significant items included exploration and evaluation expenses of \$4,672,875 (\$1,998,129 in FY 2022), management and administration expenses of \$2,199,352 (\$2,327,434 in FY 2022) and gain on settlement of accounts payable of \$492,538 (\$nil in FY 2022) due to the settlement of a past account.

The Company incurred exploration and evaluation expenses of \$4,672,875 in FY 2023 compared to \$1,998,129 in FY 2022. In FY 2023, the expenses consisted mainly of labor fees and studies from various office, as well as overhead and administrative costs for both Copperwood and White Pine projects. In FY 2022 expenses consisted mostly of fees related to the labor fees and studies. Drilling at the time had still not began.

Management and administration expenses of \$2,199,352 in FY 2023 compared to \$2,327,434 in FY 2022 reflect mostly fees to management and employees (wages and fees of \$618,677 in FY 2023 compared to \$1,537,116 in FY 2022), higher professional fees due mostly to higher legal fees (\$1,055,952 in FY 2023 compared to \$481,350 in FY 2022), higher office costs (\$199,120, during FY 2023 compared to \$140,345 in 2022), as well as higher investor relations and travel expenses (\$325,603 in FY 2023 compared to \$121,351 in FY 2022).

Share-based compensation of \$838,552 in FY 2023 (\$405,109 in FY 2022) as the Company has granted 13,300,000 options during the year, in comparison to 10,000,000 in the prior year.

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, 2023 (a)	-	(1,984,193)	(0.01)
March 31, 2023 (b)	-	(2,130,146)	(0.01)
December 31, 2022 (c)	-	(1,906,472)	(0.00)
September 30, 2022 (d)	-	(1,000,382)	(0.00)
June 30, 2022 (e)	-	(1,185,937)	(0.00)
March 31, 2022 (f)	-	(1,755,228)	(0.00)
December 31, 2021 (g)	-	(884,001)	(0.00)
September 30, 2021 (h)	-	1,768,728	0.00

a. Includes exploration expenses of \$1,272,006

b. Includes exploration expenses of \$1,615,948

c. Includes exploration expenses of \$1,167,075

d. Includes exploration expenses of \$617,846

e. Includes exploration expenses of \$521,732

f. Includes exploration expenses of \$936,468

g. Includes exploration expenses of \$335,021

h. Includes exploration expenses of \$204,908, including 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.

Liquidity and Capital Resources

At June 30, 2023, the Company had a working capital (total current assets less total current liabilities) of \$5,171,245 compared to a working capital of \$11,793,950 at June 30, 2022. The decrease in the working capital during the year ended June 30, 2023 is mainly attributable to the expenses incurred on the drilling of Copperwood as well as other exploration and evaluation expenses that were material.

Subsequent to year-end, the Kinterra transaction added a further \$30 million in cash to the balance sheet available for Copperwood and corporate purposes. Kinterra has made an additional \$30 million commitment to advancing White Pine North. This allows significant capital to advance both key Michigan projects.

The Company remains debt-free.

Capital Management

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flows. The Company intends to raise such funds as and when required to complete the exploration and development of its projects. The only sources of other future funds presently available to the Company are through the sale of equity capital of the Company, the sale by the Company of an interest in any of its properties in whole or in part (refer to note 20 for detail about the sale of 66% of the White Pine North Project to Kinterra), or shareholder loans. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as on its business performance. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company in reasonable terms. There were no changes in the Company's approach to capital management during the year ended June 30, 2023. The Company is not subject to any externally imposed capital requirements as at June 30, 2023.

Off-Balance Sheet Arrangements

As at June 30, 2023, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

Remuneration to directors and key management of the Company totaled \$705,353 during the year ended June 30, 2023 (\$615,312 in 2022). The shared-based compensation totaled \$838,552 during the year ended June 30, 2023 (\$405,109 in 2022).

Outstanding Share Data

As at October 25, 2023, the Company has 736,363,619 common shares issued and outstanding and 23,300,000 stock options outstanding with an average exercise price of CAD \$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, 2023 and 2022 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, 2023 and 2022 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, 2023:

	Carrying amount	Settlement amount	Within 1 year	2 years	Over 2 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,997,597	1,997,597	1,997,597	-	-
	1,997,597	1,997,597	1,997,597	-	-

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 2023, 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, 2023, financial assets and liabilities denominated in a foreign currency consisted of cash of \$531,400 as well as accounts payable and accrued liabilities of \$305,672. The impact on profit or loss of a 10% increase or decrease in the US dollar against the Canadian dollar would be approximately \$85,000.

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, permitting of third party power sources if needed, 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, 2023. 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).