



CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2015 and 2014

In Canadian dollars



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Highland Copper Company Inc.

We have audited the accompanying financial statements of Highland Copper Company Inc., which comprise the consolidated statements of financial position as at June 30, 2015 and June 30, 2014, the consolidated statements of comprehensive income (loss), changes in shareholders' equity and cash flows for the year years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Highland Copper Company Inc. as at June 30, 2015 and June 30, 2014, and its financial performance and its cash flows for the year years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Highland Copper Company Inc. is still in exploration stage and, as such, no revenue has been yet generated from its operating activities. Accordingly, Highland Copper Company Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about Highland Copper Company Inc.'s ability to continue as a going concern.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

October 15, 2015

Montréal, Canada

Highland Copper Company Inc.

Consolidated Statements of Financial Position

| <i>(audited, in Canadian dollars)</i> | June 30, 2015 | June 30, 2014 |
|--|-------------------|-------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash | 1,042,341 | 3,242,710 |
| Sales taxes receivable | 54,496 | 159,433 |
| Prepaid expenses and other | 52,441 | 59,479 |
| | 1,149,278 | 3,461,622 |
| Non-current | | |
| Capital assets (Note 4) | 233,615 | 428,457 |
| Exploration and evaluation assets (Note 5) | 61,568,034 | 42,645,934 |
| TOTAL ASSETS | 62,950,927 | 46,536,013 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 3,146,097 | 1,987,950 |
| Due to a related party (Note 14) | 8,022 | - |
| Deposit on sale of royalty (Note 6) | 10,000,000 | - |
| Promissory note (Note 7) | - | 7,473,900 |
| | 13,154,119 | 9,461,850 |
| Non-current | | |
| Balance of purchase price payable (Note 8) | 2,207,430 | 1,434,850 |
| Environmental liability (Note 9) | 281,749 | 225,022 |
| TOTAL LIABILITIES | 15,643,298 | 11,121,722 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 10) | 48,115,461 | 41,394,661 |
| Contributed surplus | 6,173,571 | 4,221,734 |
| Deficit | (13,592,922) | (10,450,128) |
| Cumulative translation adjustment | 6,611,519 | 248,024 |
| TOTAL EQUITY | 47,307,629 | 35,414,291 |
| TOTAL LIABILITIES AND EQUITY | 62,950,927 | 46,536,013 |

Going concern (Note 2); Commitments and contingencies (Notes 5 and 6); Event after the reporting date (Note 21)

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board,

/s/ James Crombie
James Crombie, Director

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.

Consolidated Statements of Comprehensive Income (Loss)

| <i>(audited, in Canadian dollars)</i> | Year ended June 30, | |
|--|---------------------|--------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Expenses and other items | | |
| Management and administration (Note 13) | 3,087,579 | 1,724,225 |
| Pre-exploration (Note 5) | 81,765 | 1,745,437 |
| Accretion on environmental liability (Note 9) | 17,403 | 2,106 |
| Finance income | (10,358) | (8,664) |
| Gain on foreign exchange | (33,595) | (39,885) |
| Net loss for the year | (3,142,794) | (3,423,219) |
| Other comprehensive income (loss) | | |
| Item that will not be subsequently reclassified to income | | |
| Foreign currency translation adjustment | 6,363,495 | (212,774) |
| Total comprehensive income (loss) for the year | 3,220,701 | (3,635,993) |
| Basic and diluted loss per common share (Note 12) | (0.03) | (0.06) |
| Weighted average number of common shares - basic and diluted | 106,419,831 | 55,316,991 |

The accompanying notes form an integral part of these consolidated financial statements.

Highland Copper Company Inc.

Consolidated Statements of Changes in Shareholders' Equity

| <i>(audited, in Canadian dollars)</i> | Number of issued and outstanding common shares | Share capital | Contributed surplus | Deficit | Cumulative translation adjustment | Total shareholders' equity |
|--|--|-------------------|------------------------|---------------------|---|----------------------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balance at June 30, 2014 | 96,966,745 | 41,394,661 | 4,221,734 | (10,450,128) | 248,024 | 35,414,291 |
| Shares issued | | | | | | |
| Pursuant to a mineral lease agreement (Note 10) | 2,164,701 | 485,840 | - | - | - | 485,840 |
| Private placement (Note 10) | 30,410,746 | 6,458,496 | 1,144,191 | - | - | 7,602,687 |
| Share issue expenses (Note 10) | - | (223,536) | - | - | - | (223,536) |
| Share-based remuneration | - | - | 807,646 | - | - | 807,646 |
| | 32,575,447 | 6,720,800 | 1,951,837 | - | - | 8,672,637 |
| Loss for the year | - | - | - | (3,142,794) | - | (3,142,794) |
| Other comprehensive income | | | | | | |
| Foreign currency translation adjustment | - | - | - | - | 6,363,495 | 6,363,495 |
| Balance at June 30, 2015 | 129,542,192 | 48,115,461 | 6,173,571 | (13,592,922) | 6,611,519 | 47,307,629 |
| Balance at June 30, 2013 | 52,277,878 | 19,801,726 | 3,609,412 | (7,026,909) | 460,798 | 16,845,027 |
| Shares issued | | | | | | |
| Private placement (Note 10) | 41,622,200 | 20,811,100 | - | - | - | 20,811,100 |
| On acquisition of the White Pine Project (Note 10) | 3,000,000 | 1,500,000 | - | - | - | 1,500,000 |
| Pursuant to a property option agreement (Note 10) | 66,667 | 10,000 | - | - | - | 10,000 |
| Share issue expenses (Note 10) | - | (728,165) | - | - | - | (728,165) |
| Share-based remuneration | - | - | 612,322 | - | - | 612,322 |
| | 44,688,867 | 21,592,935 | 612,322 | - | - | 22,205,257 |
| Loss for the year | - | - | - | (3,423,219) | - | (3,423,219) |
| Other comprehensive income | | | | | | |
| Foreign currency translation adjustment | - | - | - | - | (212,774) | (212,774) |
| Balance at June 30, 2014 | 96,966,745 | 41,394,661 | 4,221,734 | (10,450,128) | 248,024 | 35,414,291 |

The accompanying notes form an integral part of these consolidated financial statements.

Highland Copper Company Inc.

Consolidated Statements of Cash Flows

| <i>(audited, in Canadian dollars)</i> | Year ended June 30, | |
|--|---------------------|---------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Operating activities | | |
| Net loss for the year | (3,142,794) | (3,423,219) |
| Adjustments | | |
| Share-based remuneration | 667,777 | 511,202 |
| Depreciation and amortization | 24,237 | 9,720 |
| Unrealized gain on foreign exchange | (33,595) | (39,885) |
| Accretion on environmental liability | 17,403 | 2,106 |
| Finance income accrued | (10,358) | (8,664) |
| Finance income received | 11,151 | 8,442 |
| Changes in working capital items | | |
| Sales taxes receivable | 104,937 | (84,900) |
| Prepaid expenses and other | 7,215 | (4,476) |
| Accounts payable and accrued liabilities | (426,925) | 863,546 |
| Due to a related party | 8,022 | - |
| | (2,772,930) | (2,166,128) |
| Investing activities | | |
| Acquisition of capital assets | (68,072) | (143,865) |
| Disposal of capital assets | 27,837 | - |
| Additions to exploration and evaluation assets | (8,418,953) | (6,776,138) |
| Acquisition of Copperwood Project | - | (14,106,357) |
| | (8,459,188) | (21,026,360) |
| Financing activities | | |
| Deposit on sale of royalty | 10,000,000 | - |
| Reimbursement of promissory note | (8,141,000) | - |
| Issue of shares | 7,602,687 | 20,811,100 |
| Share issue expenses | (223,536) | (728,165) |
| | 9,238,151 | 20,082,935 |
| Effect of exchange rate changes on cash held in foreign currency | (206,402) | 112,035 |
| Net change in cash | (2,200,369) | (2,997,518) |
| Cash, beginning of the year | 3,242,710 | 6,240,228 |
| Cash, end of the year | 1,042,341 | 3,242,710 |

Supplemental cash flow information (Note 19)

The accompanying notes form an integral part of these consolidated financial statements.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 *(audited, in Canadian dollars)*

1. GENERAL INFORMATION

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together “Highland” or the “Company”) are primarily engaged in the acquisition, exploration and development of mineral properties in Michigan, USA.

In May 2014, the Company completed the interim closing for the acquisition of the White Pine copper project (the “White Pine Project”), which includes surface and mineral rights related to the White Pine North Project (the “White Pine North Project”). In June 2014, the Company acquired the Copperwood copper project (the “Copperwood Project”). The Company also has an option to acquire a 65% interest in the Keweenaw project which hosts the 543S deposit, the G-2 project and other target areas (the “Keweenaw Project”).

To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. The address of the Company’s registered office is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7. All financial results in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. Highland’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol HI. The Board of Directors approved these consolidated financial statements on October 15, 2015.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities, including the successful completion of the acquisition of the White Pine Project, the acquisition of a 65% interest in the Keweenaw Project and raising additional funds.

As is common with many exploration and development companies, the Company has relied on equity financing to fund its operations, including its investments in exploration and evaluation assets. The Company has incurred a net loss of \$3,142,794 during the year ended June 30, 2015 (\$3,423,219 in 2014) and has a deficit of \$13,592,922 at June 30, 2015 (a deficit of \$10,450,128 at June 30, 2014). The Company has a working capital deficiency of \$12,004,841 at June 30, 2015, including a deposit on sale of a royalty of \$10,000,000, which upon the expected completion of the acquisition of the White Pine Project will be exchanged for the White Pine North Royalty (Note 6). The completion of the acquisition of the White Pine Project is dependent on a number of factors, not all of which are under the Company's control, and as such, there is no assurance that the Company will complete the acquisition of the White Pine Project (Note 3 – *Significant Judgments and Estimates*). If the acquisition of the White Pine Project is not completed by December 31, 2015, the deposit on sale of a royalty of \$10,000,000 will become refundable (Note 6).

The Company requires additional funds to settle its working capital deficiency, to complete the acquisition of the White Pine Project, to pursue exploration and development work on its mineral projects, and to provide for management and administration expenses. On October 6, 2015, the Company completed a private placement with Osisko Gold Royalties Ltd. ("Osisko") and issued 24,426,434 common shares for total gross proceeds of \$3,663,965 (Note 21). However, the Company will require additional funds to meet its exploration and development objectives and to provide for management and administration expenses for at least the next 12 months. Such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements. If the Company is not successful in raising additional funds, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES

a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The significant accounting policies that have been applied in the preparation of the consolidated financial statements are summarized below.

b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis.

c) *Basis of consolidation*

These consolidated financial statements include the accounts of Highland and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. The Company wholly owns Upper Peninsula Holding Company Inc. ("UPHC") (the Company's US-based holding company, incorporated in February 2014 in the state of Delaware, USA), which in turn wholly owns: Keweenaw Copper Co. ("Keweenaw"), incorporated in July 2011 in the state of Michigan, USA; White Pine LLC ("WP LLC"), formed in February 2014 in the state of Delaware, USA; and Orvana Resources US Corp. ("Orvana US"), acquired in June 2014 and incorporated in the state of Michigan, USA. Highland and its subsidiaries have an annual reporting date of June 30.

d) *Foreign currency translation*

These consolidated financial statements are presented in Canadian dollars. The functional currency of Highland is the Canadian dollar and the functional currency of the Company's US-based subsidiaries is the US dollar. The functional currencies of Highland and its subsidiaries have remained unchanged during the reporting years.

Monetary assets and liabilities denominated in a foreign currency other than the functional currency of each entity are translated at the exchange rate in effect at the reporting date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Revenues and expenses denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Gains and losses on exchange arising from the translation of foreign operations are recorded in profit or loss under gain or loss on foreign exchange.

On consolidation, assets and liabilities of the Company's US-based subsidiaries are translated into Canadian dollars at the closing rate in effect at the reporting date and components of equity are translated using the historical rate. Income and expenses are translated into Canadian dollars at the average rate over the reporting year. Exchange differences are presented as other comprehensive income and recognised in the currency translation adjustment reserve in equity.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

e) *Financial assets and liabilities*

Financial assets

Financial assets held by the Company consist of cash which includes deposits held with banks. This financial asset is classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Income relating to financial assets that are recognized in profit or loss are presented as finance income.

All financial assets are assessed for indicators of impairment at the end of each reporting year. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. The carrying amount of financial assets is reduced by any impairment loss. If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is reversed through profit or loss.

Financial liabilities

The Company's financial liabilities which consist of accounts payable and accrued liabilities, due to a related party, deposit on sale of royalty, promissory note and balance of purchase price payable are initially recognized at fair value plus any directly attributable transaction costs. Contractual contingent payments arising from exploration and evaluation assets purchase agreements, for which the realization of the event that triggers the additional payment is within the control of the Company, are recorded as financial liabilities when the event occurs. Subsequent to initial recognition, the financial liabilities are accounted for at amortized cost, using the effective interest rate method. Financial liabilities are derecognized when the obligations are extinguished, discharged, cancelled or expired.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

f) *Capital assets*

Intangibles

Intangible assets, which consist of software licenses, are carried at cost (which includes the purchase price and any costs directly attributable to bringing the asset to the condition necessary for its intended use), less accumulated amortization and accumulated impairment losses. Amortization of software licenses begins when the asset is ready for use and is recognized based on the cost of the item on a straight-line basis, over its useful life estimated to be two years. Each intangible's residual value, useful life and depreciation method are reassessed, and adjusted if appropriate, at each annual reporting date. The carrying amount of an item of intangible assets is derecognized upon disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition is included in profit or loss when the item is derecognized.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price and all other costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where parts of an item of property, plant and equipment have a different useful life, they are accounted for as separate items of property, plant and equipment. Depreciation is recognized on a straight-line basis using the cost of the item less its estimated residual value, over its estimated useful life. Each asset's residual value, useful life and depreciation method are reassessed, and adjusted if appropriate, at each annual reporting date. Vehicles are depreciated over three years, computer equipment is depreciated over two years, office equipment and furniture is depreciated over five years, exploration equipment is depreciated over three years and leasehold improvements are depreciated over the lease period. The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition is included in profit or loss when the item is derecognized.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

g) *Exploration and evaluation assets*

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred. Once the legal right to undertake exploration and evaluation activities has been obtained, all option and lease payments, costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation which are capitalized include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase. Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts with the difference recognized in profit or loss. When the technical feasibility and the commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred as tangible assets and related development expenditures are capitalized. Before the reclassification, the related exploration and evaluation assets are tested for impairment and any impairment loss is then recognized in profit or loss.

Borrowing costs directly attributable to the acquisition of exploration and evaluation assets are added to the cost of the project until such time as the assets are substantially ready for their intended use or sale, which in the case of mining properties is when they are capable of commercial production.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

h) Impairment of non-financial assets

At the end of each reporting date, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Factors which could trigger an impairment review include, but are not limited to, the expiration of the right to explore in the specific area during the period or said right will expire in the near future and is not expected to be renewed; substantive expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale due to significant negative industry or economic trends and a significant drop in commodity prices. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset, such value being discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each property representing a potential cash-generating unit. A previous impairment is reversed if the asset's recoverable amount subsequently exceeds its carrying amount.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

i) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset, as soon as the obligation to incur such costs arises and to the extent that such cost can be reasonably estimated.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

j) *Income taxes*

When applicable, income tax on the profit or loss comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable profit for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination which affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right and intention to set-off current tax assets and liabilities from the same taxation authority.

k) *Equity*

Share capital represents the amount received on the issue of shares, less issuance costs. Contributed surplus includes changes related to stock options and warrants until such equity instruments are exercised. Deficit includes all current and prior year losses. Cumulative translation adjustment includes the impact of converting the accounts of the Company's foreign subsidiary into Canadian dollars. All transactions with owners of the parent company are recorded separately within equity.

The Company allocates the proceeds from an equity financing between common shares and share purchase warrants based on the relative fair values of each instrument. The fair value of the common shares is calculated by using the TSXV share price on the date of the issuance and is accounted for in share capital and the fair value of the share purchase warrants is determined using the Black-Scholes valuation model and is accounted for in contributed surplus. In the event of a modification of the original terms of warrants, the Company elects to not recognize the fair value adjustment.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

l) Share-based payment transactions

Equity-settled share-based payments are made in exchange for services received and transactions related to mineral properties and are measured at their fair value. The fair value of the services rendered or the mineral property transaction is determined indirectly by reference to the fair value of the equity instruments granted when the fair value of services rendered or the mineral property transaction cannot be reliably estimated. The fair value of share-based payments to directors, officers, employees and consultants with employee-related functions is recognized as an expense over the vesting period (the vesting being conditional in certain instances on the achievement of defined performance conditions) with a corresponding increase to contributed surplus. Financing warrants and warrants to brokers, in respect of an equity financing, are recognized as a share issue expense with a corresponding increase to contributed surplus. The fair value of stock options granted is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model and taking into account an estimated forfeiture rate and the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Upon the exercise of share-based payments, the proceeds received, net of any direct expenses, as well as the related compensation expense previously recorded as contributed surplus are credited to share capital.

m) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Dilutive potential common shares are deemed to have been converted into common shares at the beginning of the period or, if later, at the date of issue of the potential common shares. For the purpose of calculating diluted loss per share, the Company assumes the exercise of its dilutive options and warrants. The assumed proceeds from these instruments are regarded as having been received from the issue of common shares at the average market price of its shares during the period.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

n) *Significant accounting judgments and estimates*

The preparation of these 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. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, judgments and assumptions are recognized in the period in which the estimate is revised and future period if the revision affects both current and future 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, relate to, but are not limited to the following:

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures are subject to certain assumptions and do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The final closing of the acquisition of the White Pine Project will be completed once the Company has i) released Copper Range Company ("CRC") of a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality ("MDEQ"). The Company has determined that there is no indication that it will not be able to meet these conditions. However, meeting these conditions is dependent on a number of factors, not all of which are under the Company's control, and there is no assurance that they will be met (Note 5).

Because the Company is not in a position to provide a feasibility study on the Keweenaw Project by October 26, 2015, the Company must negotiate an amendment to the agreement with BRP LLC ("BRP") in order to maintain its option to acquire a 65% interest in the Keweenaw Project. The Company is in discussions with BRP to this effect and an amended agreement is being drafted. The Company believes that it will be able to come to terms with BRP on an amended option agreement, but not all factors are under the Company's control. There is therefore uncertainty that an amended agreement with BRP will be completed.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates (continued)

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test in the year the new information becomes available. The Company has determined that there are currently no indicators of impairment.

Environmental liability

The Company's accounting policy for the recognition of an environmental liability requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance, the timing, extent, and costs of rehabilitation activities and the determination of an appropriate discount factor. Changes to these estimates and assumptions may result in future actual expenditures differing from the amounts currently provided for. The environmental liability is periodically reviewed and updated based on the available facts and circumstances.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

o) New accounting pronouncements

Certain pronouncements issued by the International Accounting Standards Board (“IASB”) became mandatory for accounting periods beginning on or after January 1, 2014. The following new standards and amendments have been adopted by the Company in preparing these consolidated financial statements.

IAS 32, Financial instruments - presentation

The IASB published amendments to IAS 32 to provide clarifications on the requirements for offsetting of financial assets and financial liabilities on the statement of financial position. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The adoption of IAS 32 did not have a significant impact on the Company’s consolidated financial statements.

IFRIC 21, Levies

IFRIC 21 is an interpretation on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirements for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of this standard did not have a significant effect on the Company’s consolidated financial statements.

IAS 36, Impairment of assets

The IASB published amendments to the disclosures required by IAS 36, when the recoverable amount is determined based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and be applied retroactively. The adoption of the amendments did not have a significant impact on the Company’s consolidated financial statements.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

p) *Accounting standards issued but not yet applied*

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these consolidated financial statements that are expected to be relevant to the Company are listed below. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

Business combination accounting for interest in a joint operation (Amendments to IFRS 11)

On May 6, 2014, the IASB issued *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

IFRS 9, Financial instruments

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, *Financial Instruments*. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model.

IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets or liability. It also introduces limited changes relating to financial liabilities and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently reviewing the impact that this standard will have on its consolidated financial statements.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

4. CAPITAL ASSETS

Capital assets subject to depreciation and amortization are presented below.

| | Intangible assets | Vehicles | Computer equipment and furniture | Exploration equipment | Leasehold improvements | Total |
|--|----------------------|----------------|--|--------------------------|---------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost | | | | | | |
| Balance at June 30, 2013 | 54,374 | 177,874 | 121,533 | 321,583 | 69,111 | 744,475 |
| Additions | 67,856 | 52,099 | 10,097 | 100,483 | - | 230,535 |
| Effect of foreign exchange | 482 | 2,342 | 1,680 | 3,731 | 1,085 | 9,320 |
| Balance at June 30, 2014 | 122,712 | 232,315 | 133,310 | 425,797 | 70,196 | 984,330 |
| Additions | 1,406 | 49,229 | 1,280 | 16,157 | - | 68,072 |
| Disposals | - | (21,399) | - | - | - | (21,399) |
| Effect of foreign exchange | 11,138 | 40,450 | 22,015 | 73,414 | 11,918 | 158,935 |
| Balance at June 30, 2015 | 135,256 | 300,595 | 156,605 | 515,368 | 82,114 | 1,189,938 |
| Accumulated depreciation and amortization | | | | | | |
| Balance at June 30, 2013 | 17,925 | 57,918 | 59,110 | 85,948 | 36,804 | 257,705 |
| Depreciation and amortization | 35,137 | 64,016 | 50,226 | 117,935 | 28,152 | 295,466 |
| Effect of foreign exchange | 90 | 693 | 700 | 756 | 463 | 2,702 |
| Balance at June 30, 2014 | 53,152 | 122,627 | 110,036 | 204,639 | 65,419 | 555,873 |
| Disposals | - | (1,336) | - | - | - | (1,336) |
| Depreciation and amortization | 45,687 | 86,197 | 15,619 | 140,378 | 5,251 | 293,132 |
| Effect of foreign exchange | 8,163 | 26,217 | 18,970 | 43,860 | 11,444 | 108,654 |
| Balance at June 30, 2015 | 107,002 | 233,705 | 144,625 | 388,877 | 82,114 | 956,323 |
| Carrying amounts | | | | | | |
| Balance at June 30, 2014 | 69,560 | 109,688 | 23,274 | 221,158 | 4,777 | 428,457 |
| Balance at June 30, 2015 | 28,254 | 66,890 | 11,980 | 126,491 | - | 233,615 |

Included in capital assets are assets with a carrying amount of \$20,725 at June 30, 2015 (\$44,962 at June 30, 2014) for use at the Company's corporate office. All other capital assets relate to the Company's exploration activities.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

| | White Pine Project | Copperwood Project | Keweenaw Project | Leased Properties | Total |
|---|-----------------------|-----------------------|---------------------|----------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance, June 30, 2013 | - | - | 10,062,930 | 333,623 | 10,396,553 |
| Property payments in cash and promissory note | - | 23,105,743 | 260,625 | 41,811 | 23,408,179 |
| Property payments in shares | 1,450,000 | - | 10,000 | - | 1,460,000 |
| Property acquisition expenses | 359,978 | 1,106,681 | - | - | 1,466,659 |
| Environmental liability | 227,320 | - | - | - | 227,320 |
| Site preparation, drilling and assaying | 1,784,196 | - | 796,602 | 129,009 | 2,709,807 |
| Labour | 825,001 | 9,877 | 882,706 | 63,622 | 1,781,206 |
| Studies | 158,591 | 6,296 | 220,470 | - | 385,357 |
| Other exploration expenses | 274,775 | 4,267 | 454,642 | (59,171) | 674,513 |
| Depreciation and amortization | - | 934 | 282,537 | 2,275 | 285,746 |
| Share-based remuneration | - | - | 101,120 | - | 101,120 |
| Finance expense | - | 55,306 | - | - | 55,306 |
| Effect of foreign exchange | (51,767) | (390,359) | 131,782 | 4,512 | (305,832) |
| | 5,028,094 | 23,898,745 | 3,140,484 | 182,058 | 32,249,381 |
| Balance, June 30, 2014 | 5,028,094 | 23,898,745 | 13,203,414 | 515,681 | 42,645,934 |
| Property payments in cash | 275,701 | 127,313 | - | 49,304 | 452,318 |
| Property payments in shares | 485,840 | - | - | - | 485,840 |
| Site preparation, drilling and assaying | 4,027,384 | 35,217 | 1,884 | - | 4,064,485 |
| Labour | 1,780,645 | 220,683 | 141,431 | - | 2,142,759 |
| Studies | 1,459,535 | 171,758 | 16,815 | - | 1,648,108 |
| Other exploration expenses | 806,237 | 100,357 | 50,011 | - | 956,605 |
| Depreciation and amortization | 200,619 | 6,089 | 62,187 | - | 268,895 |
| Gain on disposal of capital assets | - | (7,774) | - | - | (7,774) |
| Share-based remuneration | - | - | 139,869 | - | 139,869 |
| Finance expense | - | 1,083,301 | - | - | 1,083,301 |
| Effect of foreign exchange | 1,383,146 | 4,168,972 | 2,027,221 | 108,355 | 7,687,694 |
| | 10,419,107 | 5,905,916 | 2,439,418 | 157,659 | 18,922,100 |
| Balance, June 30, 2015 | 15,447,201 | 29,804,661 | 15,642,832 | 673,340 | 61,568,034 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Lease Agreement, White Pine, Michigan, USA

On April 24, 2015, the Company entered into an agreement to lease certain mineral rights located in White Pine, Michigan from a private Michigan limited liability corporation. The mineral lease is for 20 years, with an option for an additional 5 years. Payment at closing consisted of US\$225,000 in cash and the issuance of 2,164,701 common shares of Highland valued at an amount of \$485,840 (the number of shares being the equivalent of US\$400,000 divided by the 20-day volume weighted average trading price of Highland as of the day prior to closing). Additional cash payments of US\$425,000 and US\$150,000 will be payable on the first and second anniversaries of closing. Annual rent will also be payable on each anniversary of the lease. Upon commencement of production, Highland will have to pay 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. The Company has an option to repurchase 50% of the royalties. Highland may terminate the lease at any time upon a 30 day notice. Expenses related to this agreement are presented as part of the White Pine Project (described in the following section) as the related mineral rights are located within the White Pine Project.

White Pine Project, Michigan, USA

On May 13, 2014 (the interim closing date), the Company acquired from CRC, a subsidiary of First Quantum Minerals Ltd., a TSX-listed company, all of CRC's rights, title and interest in the White Pine Project and issued to CRC 3,000,000 of its common shares valued at \$1,500,000. Highland further agreed that, upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, it will pay as additional consideration, in cash or in common shares of Highland, at the option of CRC, an amount equal to US\$0.005 (one half of one cent) per pound for the first 1 billion pounds of proven and probable reserves of copper and US\$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper (the "Contingent Consideration"). At June 30, 2015, the Company has not yet estimated any proven and probable reserves at the White Pine Project and has not yet completed a feasibility study or initiated the activities required to obtain the necessary permits. Consequently, the Company has not included the contractual contingent liability in the purchase consideration detailed below.

The final closing of the acquisition will be completed once Highland has (i) released CRC for a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. At that time, Highland will assume all of CRC's environmental liabilities related to White Pine and will also be responsible for all on-going environmental obligations. Final closing is anticipated to occur by December 31, 2015. Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project, Michigan, USA (continued)

Until final closing, Highland has access to White Pine under an access agreement entered into on March 5, 2014, which entitles it to perform exploration, engineering and environmental studies and other activities associated with the potential development of a new copper mine at White Pine, and CRC continues to be responsible for environmental obligations and for remediation work up to a maximum of US\$2 million. In determining the value of the net assets acquired, the Company has taken into account estimated environmental work to be performed after the anticipated final closing date of December 31, 2015. The Company determined that the White Pine Project was not a business in accordance with the definition in *IFRS 3, Business Combinations*, and therefore it accounted for the acquisition as an asset acquisition rather than a business combination.

The following table summarizes the fair value of the purchase price, including transaction costs and the amounts of identified assets acquired and liabilities assumed:

| | |
|-------------------------------------|------------------|
| Purchase price | \$ |
| Issuance of 3,000,000 common shares | 1,500,000 |
| Transaction costs | 359,978 |
| | 1,859,978 |
| Net assets acquired | |
| Capital assets | 50,000 |
| Exploration and evaluation assets | 2,037,293 |
| Environmental liability | (227,315) |
| | 1,859,978 |

Copperwood Project, Michigan, USA

On June 17, 2014, the Company acquired the Copperwood Project through the acquisition from Orvana Minerals Corp., a TSX-listed company ("Orvana"), of all of the outstanding shares of Orvana Resources US Corp. ("Orvana US"). Highland paid US\$13 million in cash at closing and issued a US\$7 million secured promissory note (the "Note") as described in Note 7. The Note was fully reimbursed on December 15, 2014. An additional consideration of up to US\$5,000,000 may be paid by Highland in cash or shares of Highland, at Orvana's option, of which US\$2,500,000 was accounted for as "Future Consideration" and described in Note 8; an amount of US\$1,250,000 may also be payable 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 US\$4.25/lb; and an additional amount of US\$1,250,000 may be payable 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 US\$4.50/lb (for a total of US\$2,500,000 accounted for as the "Contingent Consideration").

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Copperwood Project, Michigan, USA (continued)

The fair value of the Future Consideration has been included in the purchase consideration, using a discount rate of 20%, as these payments have a set maturity date. The contractual Contingent Consideration will only be recognized if and when the contingency is satisfied.

The Company determined that the Copperwood Project was not a business in accordance with the definition in *IFRS 3, Business Combinations*, and therefore it accounted for the acquisition as an asset acquisition rather than a business combination.

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 Net Smelter Return ("NSR") royalty payments that will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. Under the mineral leases, Orvana US will have mineral rights until the later of the 20th anniversary of the date of the lease or the date Orvana US ceases to be actively engaged in development, mining, or related operations on the property. The mineral leases may be terminated by Orvana US, the Company's wholly owned subsidiary, on 60 days' notice.

The following table summarizes the fair value of the purchase price, including transaction costs and the amounts of identified assets acquired and liabilities assumed:

| | |
|--|------------------|
| Purchase price | \$ |
| Cash | 14,107,434 |
| Promissory note | 7,596,310 |
| Balance of purchase price | 1,439,171 |
| Transaction costs | 1,106,681 |
| | <hr/> 24,249,596 |
| Net assets acquired | |
| Cash | 1,077 |
| Capital assets | 36,670 |
| Exploration and evaluation assets | 24,212,424 |
| Accounts payable and accrued liabilities | (575) |
| | <hr/> 24,249,596 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Keweenaw Project, Michigan, USA

Under a Mining Venture Agreement (the "Venture Agreement") with BRP dated July 2011 and subsequently amended on May 30, 2012 and on April 29, 2013, the Company has an option to acquire a 65 percent interest in the Keweenaw Project by spending US\$11,500,000 in exploration work and providing a feasibility study by October 26, 2015. At June 30, 2015, a cumulative amount of US\$13,076,000 had been spent on the Keweenaw Project but the Company is not in a position to provide a feasibility study by the end of October 2015. To this end, the Company is in discussions with BRP to obtain an extension to the Venture Agreement. However, there is no assurance that an extension can be obtained. If an extension is not obtained, the Company will lose its option to acquire a 65 percent interest in the Keweenaw Project. Under the terms of the Venture Agreement, the Company was also required to make cash payments to BRP totalling US\$750,000 (of which the last payment of US\$250,000 was made on October 15, 2013) and issue to BRP a total of 200,000 common shares (of which the last tranche of 66,667 shares was issued on October 15, 2013). Upon providing a feasibility study and exercising the option, the Company will have a 65% interest and BRP will have a 35% interest in the property. In addition, BRP will be entitled to a sliding scale NSR royalty from production on those properties contributed by BRP based on the price per pound of copper with a minimum of 2% up to a maximum of 5%. For other properties, BRP will be entitled to a 1% NSR.

Leased Properties, Michigan, USA

In December 2012, the Company entered into a lease agreement with a Michigan corporation for the exploration and development of two areas totalling approximately 6,400 acres of mineral and surface ownership in the Upper Peninsula of the State of Michigan. The lease has a primary term of 10 years and may be extended for an additional 10 years under certain conditions. The Company paid an amount of US\$40,000 as rent during the year ended June 30, 2015 (US\$35,000 in 2014). Annual payments will increase by US\$5,000 per year until year 10. For years 11 to 20, the annual rental payments will be US\$100,000 and will be treated as advance royalty payments. If the Company completes a feasibility study and constructs and operates a mine on any part of the leased premises, it has agreed to make certain fixed-amount payments and to pay a sliding scale NSR from production based on the price per pound of copper.

Pre-exploration expenses

In accordance with the Company's accounting policy on exploration and evaluation assets, costs incurred before the legal right to undertake exploration and evaluation activities has been obtained are recognized in profit or loss when they are incurred. Pre-exploration expenses in 2015 relate mostly work performed on properties under the Venture Agreement with BRP whereas expenses in 2014 relate mostly to the White Pine Project prior to the Company entering into an access agreement with CRC dated March 5, 2014.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

6. DEPOSIT ON SALE OF ROYALTY

On December 15, 2014, Osisko made a \$10 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine North Project (the "White Pine North Royalty"). The Osisko deposit is secured against all of the Company's assets. Upon completion of the acquisition of the White Pine North Project, the Osisko deposit will be exchanged for the White Pine North Royalty. In the event the acquisition of the White Pine North Project is not completed by December 31, 2015, the Osisko deposit will become refundable and will bear interest at the rate of Libor + 5%. The White Pine North Royalty will have a base rate of 3% and will increase by 0.01% for every \$0.01 increase in the copper price above \$3.00 per pound.

Option to purchase future silver production

In connection with the White Pine North Royalty, the Company also has granted to Osisko an option to purchase for US\$26 million a 100% NSR on any future silver production from the Company's projects, including White Pine, Copperwood and Keweenaw (the "Michigan Projects"). Osisko may elect to exercise the option to purchase the silver production by paying US\$26 million to the Company within 60 days following the delivery to Osisko of a feasibility study on the Michigan Projects.

7. PROMISSORY NOTE

On June 17, 2014, in connection with the acquisition of the Copperwood Project (Note 5), the Company had issued a Note in the amount of US\$7,000,000 to Orvana, bearing interest at an effective rate of 15.2%. On December 15, 2014, the Company reimbursed the Note in full and paid to Orvana an amount of \$8,761,412, including accrued interest of \$620,412. The amount of the Note was established as follows:

| | Year ended June 30, | |
|---------------------------------------|---------------------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| Balance, beginning of year | 7,473,900 | - |
| Acquisition of the Copperwood Project | - | 7,596,310 |
| Effect of foreign exchange | 667,100 | (122,410) |
| Reimbursement | (8,141,000) | - |
| Balance, end of year | - | 7,473,900 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

8. BALANCE OF PURCHASE PRICE PAYABLE

In connection with the acquisition of the Copperwood Project (Note 5), the Company has accounted for the estimated fair value of the Future Consideration using a discount rate of 20%. The Future Consideration in the amount of US\$2,500,000 may be paid by Highland to Orvana in cash or shares of Highland, at Orvana's option, with US\$1,250,000 payable upon the earliest of (i) commencement of commercial production of Copperwood and (ii) the date that is 36 months after closing of the acquisition; and an additional US\$1,250,000 on the first anniversary of this payment. The balance of purchase price payable was determined as follows:

| | Year ended June 30, | |
|---|---------------------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| Balance, beginning of year | 1,434,850 | - |
| Acquisition of the Copperwood Project | - | 1,439,171 |
| Accretion included in exploration and evaluation assets | 499,325 | 18,870 |
| Effect of foreign exchange | 273,255 | (23,191) |
| Balance, end of year | 2,207,430 | 1,434,850 |

9. ENVIRONMENTAL LIABILITY

The environmental liability consists of reclamation costs related to the acquisition of the White Pine Project (Note 5). The undiscounted cash flow amount of the liability was estimated at \$313,460 at June 30, 2015 and 2014 and the present value of the liability was estimated at \$227,315 at the date of the acquisition of the White Pine Project, calculated using a discount rate of 8.0% and reflecting payments to be made from 2016 to 2023, inclusively.

| | Year ended June 30, | |
|---------------------------------------|---------------------|---------|
| | 2015 | 2014 |
| | \$ | \$ |
| Balance, beginning of year | 225,022 | - |
| Acquisition of the White Pine Project | - | 227,315 |
| Accretion expense | 17,403 | 2,106 |
| Effect of foreign exchange | 39,324 | (4,399) |
| Balance, end of year | 281,749 | 225,022 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

10. SHARE CAPITAL AND WARRANTS

Authorized

An unlimited number of common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which are declared from time-to-time. No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual assets.

Issuance of common shares

On April 24, 2015, the Company issued to a private Michigan limited liability corporation 2,164,701 of its common shares at a value of \$485,840 as partial consideration to enter into an agreement to lease certain mineral rights located in White Pine, Michigan, as further described in Note 5.

In March 2015, the Company completed in three (3) tranches a non brokered private placement for gross proceeds of \$7,602,687 (the "Financing"). A total of 30,410,746 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at \$0.25 per unit. Each Warrant is exercisable for a period of 18 months from the closing at an exercise price of \$0.50 to acquire one common share. Proceeds of the Financing were allocated between common shares and Warrants based on their relative fair values. The fair value of the common shares was calculated by using the subscription price of the Financing and the value of the Warrants was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.56%, an expected life of the Warrants of 1.5 years, an annualized volatility of 104% (determined by reference to historical data) and a dividend rate of 0%. An amount of \$1,144,191 was allocated to such Warrants and was presented as part of contributed surplus. The Company paid finders' fees totaling \$181,250 and incurred other share issue expenses of \$42,286.

From March to June 2014, the Company completed in three tranches a non-brokered private placement of its common shares by issuing 41,622,200 common shares at \$0.50 per share for gross proceeds of \$20,811,100. Share issue expenses of \$728,165 were incurred in relation with this private placement, including finder's fees of \$661,310.

On May 13, 2014, the Company issued 3,000,000 common shares, valued at \$1,500,000, in consideration for the acquisition of the White Pine Project (Note 5).

The Company issued 66,667 common shares in October 2013, in accordance with the Venture Agreement with BRP (Note 5), at a value of \$10,000.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

10. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

The following tables sets out the activity in share purchase warrants:

| | Year ended June 30, | |
|----------------------------|---------------------|------------|
| | 2015 | 2014 |
| Number of warrants | | |
| Balance, beginning of year | 41,250,000 | 41,250,000 |
| Issued | 15,205,373 | - |
| Balance, end of year | 56,455,373 | 41,250,000 |

The following table reflects the number of issued and outstanding share purchase warrants at June 30, 2015:

| | Number of warrants June 30, 2014 | Issued | Exercised | Number of warrants June 30, 2015 | Price per share \$ | Expiry date |
|------------------------------------|---|------------|-----------|---|-----------------------------|--------------|
| Private placement – May 2012 (1) | 41,250,000 | - | - | 41,250,000 | 0.75 | Mar 31, 2016 |
| Private placement – March 11, 2015 | - | 12,275,020 | - | 12,275,020 | 0.50 | Sep 11, 2016 |
| Private placement – March 20, 2015 | - | 1,680,000 | - | 1,680,000 | 0.50 | Sep 20, 2016 |
| Private placement – March 27, 2015 | - | 1,250,353 | - | 1,250,353 | 0.50 | Sep 27, 2016 |
| | 41,250,000 | 15,205,373 | - | 56,455,373 | 0.68 | |
| Average price | 0.75 | 0.50 | - | 0.68 | | |

- (1) In March 2015, the Company further extended the expiry date of the 41,250,000 share purchase warrants originally issued in three tranches in May 2012 as part of a non brokered private placement of the Company's securities. The original expiry dates of May 2014 were previously extended to March 31, 2015. The new expiry date is March 31, 2016 and the exercise price of \$0.75 remains unchanged.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

11. STOCK OPTIONS

The following table sets out the activity in stock options:

| | Year ended June 30, 2015 | | Year ended June 30, 2014 | |
|----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | Number | Average exercise price (\$) | Number | Average exercise price (\$) |
| Number of options | | | | |
| Balance, beginning of year | 4,442,000 | 0.59 | 4,442,000 | 0.59 |
| Granted | 3,305,000 | 0.36 | - | - |
| Expired | (150,000) | (0.65) | - | - |
| Balance, end of year | 7,597,000 | 0.49 | 4,442,000 | 0.59 |

On April 22, 2015, the Company granted 1,905,000 stock options to directors, officers, employees and consultants of the Company. Of this total, 830,000 options will vest subject to the achievement of certain defined performance objectives. The balance of 1,075,000 options will vest over a two-year period. The options have a five-year term and are exercisable at a price of \$0.25 per share. The fair value of the stock options was estimated at \$0.14 per option by applying the Black-Sholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 1.00%, a volatility rate of 137% and a 0% dividend factor.

On August 1, 2014, the Company granted 1,400,000 stock options to officers of the Company. The stock options have a five year term and are exercisable at a price of \$0.50 per share. A total of 700,000 of the stock options granted vested on the date of grant and 700,000 vested on December 1, 2014. The fair value of the stock options was estimated at \$0.44 per option by applying the Black-Sholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 1.46%, a volatility rate of 145% and a 0% dividend factor.

At June 30, 2015, an amount of \$144,509 of cost remains to be amortized in future periods (until April 2017) related to the grant of stock options.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

11. STOCK OPTIONS (continued)

The following table reflects the stock options issued and outstanding at June 30, 2015:

| Issue date | Number of options | Exercise price \$ | Remaining contractual life (years) | Number of exercisable options | Exercise price of exercisable options \$ |
|--------------------|-------------------|----------------------|---------------------------------------|-------------------------------|---|
| September 22, 2006 | 2,000 | 1.00 | 1.2 | 2,000 | 1.00 |
| July 6, 2012 | 400,000 | 0.50 | 2.0 | 400,000 | 0.50 |
| November 5, 2012 | 3,890,000 | 0.60 | 2.3 | 3,890,000 | 0.60 |
| August 1, 2014 | 1,400,000 | 0.50 | 4.1 | 1,400,000 | 0.50 |
| April 21, 2015 | 1,905,000 | 0.25 | 4.8 | 358,333 | 0.25 |
| | 7,597,000 | 0.49 | 3.3 | 6,050,333 | 0.55 |

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2015 was based on the loss attributable to common shareholders of \$3,142,794 (\$3,423,219 in 2014) and the weighted average number of common shares outstanding of 106,419,831 (55,316,991 in 2014).

Excluded from the calculation of the diluted loss per share for the year ended June 30, 2015 are 56,455,373 share purchase warrants and 7,597,000 stock options (41,250,000 share purchase warrants and 4,442,000 stock options in 2014) because to include them would be anti-dilutive as they would have the effect of decreasing the loss per share.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

13. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

| | Year ended June 30, | |
|-------------------------------|---------------------|------------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Administrative and general | 1,348,384 | 490,781 |
| Office | 257,624 | 116,225 |
| Professional fees | 459,894 | 254,724 |
| Investor relations and travel | 298,152 | 320,140 |
| Reporting issuer costs | 31,511 | 21,433 |
| Share-based remuneration | 667,777 | 511,202 |
| Depreciation and amortization | 24,237 | 9,720 |
| | 3,087,579 | 1,724,225 |

14. RELATED PARTY TRANSACTIONS

During the year ended June 30, 2015, the Company incurred administration expenses of \$495,633 from Reunion Gold Corporation, a related party by virtue of common management and directors (administration expenses of \$241,917 and the purchase of capital assets of \$41,000 from Reunion Gold Corporation in 2014). At June 30, 2015, the Company had an amount due to Reunion Gold Corporation of \$8,022 (nil at June 30, 2014).

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management, including the Executive Chairman, the President and CEO, the Executive Vice-President and the CFO, is as follows:

| | Year ended June 30, | |
|--------------------------------------|---------------------|----------------|
| | 2015 | 2014 |
| | \$ | \$ |
| Salaries, benefits and director fees | 660,474 | 88,019 |
| Consulting fees | 423,437 | 425,302 |
| Share-based remuneration | 568,861 | 483,906 |
| | 1,652,772 | 997,227 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

15. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

| | Year ended June 30, | | | |
|--|---------------------|-------------|----------|-------------|
| | 2015 | | 2014 | |
| | | \$ | | \$ |
| Loss before income tax | | (3,142,794) | | (3,423,219) |
| Tax using the Company's domestic tax rate | 26.90% | (845,412) | 26.90% | (920,845) |
| Share-based remuneration | (5.72%) | 179,632 | (4.02%) | 137,513 |
| Non-deductible expenses and non-taxable revenues | (0.05%) | 1,603 | 0.64% | (21,781) |
| Effect of tax rate in foreign jurisdictions | 0.58% | (18,347) | 5.50% | (188,478) |
| Unrecognized tax assets | (29.94%) | 941,013 | (29.28%) | 1,002,321 |
| Other | 8.23% | (258,489) | 0.26% | (8,730) |
| Deferred income tax | - | - | - | - |

Recognized deferred tax assets and liabilities are attributable to the following:

| | June 30, 2015 | | |
|--|---------------|-------------|-------------|
| | Assets | Liabilities | Net |
| | \$ | \$ | \$ |
| Exploration and evaluation assets | - | (2,270,440) | (2,270,440) |
| Non-capital loss carry-forwards | 2,270,440 | - | 2,270,440 |
| | 2,270,440 | (2,270,440) | - |
| Offsetting of tax assets and liabilities | (2,270,440) | 2,270,440 | - |
| | - | - | - |
| | June 30, 2014 | | |
| | Assets | Liabilities | Net |
| | \$ | \$ | \$ |
| Exploration and evaluation assets | - | (177,576) | (177,576) |
| Non-capital loss carry-forwards | 177,576 | - | 177,576 |
| | 177,576 | (177,576) | - |
| Offsetting of tax assets and liabilities | (177,576) | 177,576 | - |
| | - | - | - |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

15. INCOME TAXES (continued)

Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are as follows:

| | June 30, 2015 | | |
|-----------------------------------|------------------|------------------|-------------------|
| | Canada | USA | Total |
| | \$ | \$ | \$ |
| Non-capital loss carry-forwards | 7,778,259 | 2,393,403 | 10,171,662 |
| Capital assets | 39,904 | 528,035 | 567,939 |
| Exploration and evaluation assets | 1,294,069 | - | 1,294,069 |
| Share issue expenses | 675,483 | - | 675,483 |
| Financing expenses | 148,651 | - | 148,651 |
| | 9,936,366 | 2,921,438 | 12,857,804 |

| | June 30, 2014 | | |
|-----------------------------------|------------------|------------------|------------------|
| | Canada | USA | Total |
| | \$ | \$ | \$ |
| Non-capital loss carry-forwards | 5,517,245 | 1,618,932 | 7,136,177 |
| Capital assets | 15,667 | 327,408 | 343,075 |
| Exploration and evaluation assets | 1,352,051 | - | 1,352,051 |
| Share issue expenses | 736,067 | - | 736,067 |
| | 7,621,030 | 1,946,340 | 9,567,370 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise these benefits.

Non-capital losses expire as follows:

| | Canada | USA |
|------|------------------|------------------|
| | \$ | \$ |
| 2026 | 103,000 | - |
| 2027 | 120,000 | - |
| 2028 | 304,000 | - |
| 2029 | 538,000 | - |
| 2030 | 744,000 | - |
| 2031 | 951,000 | - |
| 2032 | 1,370,000 | - |
| 2033 | 96,000 | 477,000 |
| 2034 | 1,136,000 | 1,142,000 |
| 2035 | 2,416,000 | 774,000 |
| | 7,778,000 | 2,393,000 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

16. CAPITAL MANAGEMENT

The Company defines capital that it manages as loans (including deposit on sale of royalty, promissory note and balance of purchase price payable) 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 exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. As at June 30, 2015, managed capital was \$59,515,059 (\$44,323,041 at June 30, 2014).

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. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the sale of equity capital of the Company, the exercise of outstanding warrants or stock options, or the sale by the Company of an interest in any of its properties in whole or in part. 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 the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. There were no changes in the Company's approach to capital management during the year ended June 30, 2015. The Company is not subject to any externally imposed capital requirements as at June 30, 2015.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

17. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the financial objectives, policies and processes during the year ended June 30, 2015.

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's ability to continue as a going concern is dependent on management's ability to raise the funds required for its continued operations as the Company generates cash flow from its financing activities (Note 2).

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2015:

| | Carrying amount | Settlement amount | Within 1 year | 2-3 years | Over 3 years |
|--|--------------------|----------------------|-------------------|------------------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 3,146,097 | 3,146,097 | 3,146,097 | - | - |
| Due to a related party | 8,022 | 8,022 | 8,022 | - | - |
| Deposit on sale of royalty | 10,000,000 | 10,000,000 | 10,000,000 | - | - |
| Balance of purchase price payable | 2,207,430 | 3,122,500 | - | 3,122,500 | - |
| | 15,361,549 | 16,276,619 | 13,154,119 | 3,122,500 | - |

Credit risk

At June 30, 2015, the Company's financial assets exposed to credit risk are primarily composed of cash. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds. The Company's cash is held with large financial institutions, with most of the Company's cash held with a Canadian-based financial institution.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 (audited, in Canadian dollars)

17. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Company's interest risk relates to cash. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest bearing accounts with a major Canadian-based chartered bank. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$10,000.

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 currencies in which these transactions are denominated are primarily the Canadian and the US dollar. The consolidated entity seeks to minimise its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions are entered into at spot rates. The Board 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, 2015, financial assets and liabilities denominated in a foreign currency consisted of cash of \$91,504, and accounts payable and accrued liabilities of \$670,464. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately \$58,000.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts payable and accrued liabilities and due to a related party are considered to be a reasonable approximation of fair value due to their immediate or short-term maturity. The fair value of the balance of purchase price payable at June 30, 2015 was determined based on discounted cash flows using a rate of 20% (20% at June 30, 2014), a rate similar to other debt instruments at the date of the consolidated statement of financial position.

Highland Copper Company Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014 (audited, in Canadian dollars)

19. SUPPLEMENTAL CASH FLOW INFORMATION

| | Year ended June 30, | |
|--|---------------------|-----------|
| | 2015 | 2014 |
| | \$ | \$ |
| Non-cash items | | |
| Payables and accruals related to exploration and evaluation assets | 1,429,300 | 712,058 |
| Depreciation and amortization included in exploration and evaluation assets | 268,895 | 285,746 |
| Gain on disposal included in exploration and evaluation assets | (7,774) | - |
| Environmental liability included in exploration and evaluation assets | - | 227,320 |
| Promissory note related to exploration and evaluation assets | - | 7,596,310 |
| Balance of purchase price payable related to exploration and evaluation assets | - | 1,439,171 |
| Accretion on balance of purchase price payable included in exploration and evaluation assets | 499,325 | 18,870 |
| Share-based remuneration included in exploration and evaluation assets | 139,869 | 101,120 |
| Shares issued included in capital assets | - | 50,000 |
| Shares issued included in exploration and evaluation assets | 485,840 | 1,460,000 |

20. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties in Michigan, USA. Assets are located as follows:

| | June 30, 2015 | | |
|-----------------------------------|------------------|-------------------|-------------------|
| | Canada | USA | Total |
| | \$ | \$ | \$ |
| Current assets | 1,107,655 | 41,623 | 1,149,278 |
| Capital assets | 20,725 | 212,890 | 233,615 |
| Exploration and evaluation assets | - | 61,568,034 | 61,568,034 |
| Total assets | 1,128,380 | 61,822,547 | 62,950,927 |

| | June 30, 2014 | | |
|-----------------------------------|------------------|-------------------|-------------------|
| | Canada | USA | Total |
| | \$ | \$ | \$ |
| Current assets | 3,403,109 | 58,513 | 3,461,622 |
| Capital assets | 44,962 | 383,495 | 428,457 |
| Exploration and evaluation assets | - | 42,645,934 | 42,645,934 |
| Total assets | 3,448,071 | 43,087,942 | 46,536,013 |

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2015 and 2014 *(audited, in Canadian dollars)*

21. EVENT AFTER THE REPORTING DATE

On October 6, 2015, the Company completed a non-brokered private placement of 24,426,434 common shares with Osisko at a price of \$0.15 per share for gross proceeds of \$3,663,965. Following completion of the private placement, the Company has 153,968,626 shares issued and outstanding and Osisko owns 29,420,434 shares (representing approximately 19.1% of the issued and outstanding shares of Highland on a non-diluted basis).



MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended June 30, 2015

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2015

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 15, 2015, covers the years ended June 30, 2015 and 2014 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2015 and 2014 (the "June 30, 2015 and 2014 consolidated financial statements"). The June 30, 2015 and 2014 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS

Highland is a Canadian-based company engaged in the acquisition, exploration and development of mineral properties. The Company's mineral projects are located in Michigan, USA. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. At October 15, 2015, the Company had 153,968,626 common shares issued and outstanding.

The Company has assembled a number of advanced-stage copper projects located in Michigan's Upper Peninsula region, including **Copperwood**, a feasibility stage project, acquired in June 2014 from Orvana Minerals Corp. ("Orvana"), **White Pine North**, acquired in May 2014 from a wholly-owned subsidiary of First Quantum Minerals Ltd. (subject to final closing expected to occur by December 31, 2015) and **Keweenaw**, which includes the 543S and G-2 deposits (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC). The Company has also entered into lease agreements entitling the Company to explore and develop certain other projects located in the same area.

FINANCIAL CONDITION

At June 30, 2015, the Company had a working capital deficit of \$12.0 million. This amount includes a \$10.0 million refundable deposit to be exchanged for a royalty on all metals from the White Pine North Project on completion of the acquisition of the White Pine project (see details of the \$10.0 million refundable deposit under *Financing Activities* section). The Company requires additional funds to meet all of its obligations, to pursue exploration and development work on its mineral projects, to provide for management and administration expenses, and to ensure the Company's ability to continue as a going concern.

On October 6, 2015, the Company completed a private placement with Osisko Gold Royalties Ltd., a TSX-listed company, ("Osisko") and issued 24,426,434 common shares for a total consideration of \$3,663,965 (see detail under *Financing Activities* section). However, the Company will require additional funds to meet its exploration and development objectives and to provide for management and administration expenses for at least the next 12 months. Such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements. There can be no assurance that the Company will be able to raise the funds required. If the Company is not successful in raising additional funds and it is not able to complete the acquisition of the White Pine project, the Company may not be able to refund the \$10.0 million deposit described above and it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities.

FINANCING ACTIVITIES

Private Placements

On October 6, 2015, the Company completed a non-brokered private placement of 24,426,434 common shares with Osisko at a price of \$0.15 per share for gross proceeds of \$3,663,965. Following completion of the private placement, the Company has 153,968,626 shares issued and outstanding and Osisko owns 29,420,434 shares (representing approximately 19.1% of the issued and outstanding shares of Highland on a non-diluted basis).

In March 2015, the Company completed in three (3) tranches a non brokered private placement for gross proceeds of \$7,602,687. A total of 30,410,746 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at \$0.25 per unit. Each Warrant is exercisable for a period of 18 months from the closing at an exercise price of \$0.50 to acquire one common share of the Company. The Company paid finders' fees totaling \$181,250 in connection with this private placement.

Royalty agreements with Osisko

On December 15, 2014, Osisko made a \$10.0 million refundable deposit on a 3% sliding-scale net smelter return ("NSR") royalty on all metals from the White Pine North Project (the "White Pine North Royalty"). The Osisko deposit is secured against all of the Company's assets. Upon completion of the acquisition of the White Pine North Project, the Osisko deposit will be exchanged for the White Pine North Royalty. In the event the acquisition of the White Pine North Project is not completed by December 31, 2015, the Osisko deposit will need to be refunded and will bear interest at the rate of Libor + 5% until it is refunded. The White Pine North Royalty will have a base rate of 3% and will increase by 0.01% for every \$0.01 increase in the copper price above \$3.00 per pound.

In addition, the Company has granted to Osisko an option to purchase for US\$26 million any future silver production from the Company's Michigan projects, including White Pine and Copperwood (the "Silver Royalty"). Osisko may elect to exercise the option to purchase the silver production by paying US\$26 million to the Company within 60 days following the delivery to Osisko of a feasibility study on the Michigan projects.

As part of the White Pine North Royalty transaction, Osisko has the right to nominate one director to the Board of Highland. Osisko will also be entitled to nominate one additional director to the Board of Highland if it exercises the Silver Royalty option.

Reimbursement of Note due to Orvana

A portion of the proceeds from the Osisko \$10.0 million deposit was used to reimburse the US\$7 million promissory note and accrued interest due to Orvana for the acquisition of the Copperwood project (see *Copperwood Project* section).

Extension of Expiry Date of 2012 Warrants

In March 2015, the Company further extended the term of the 41,250,000 share purchase warrants originally issued in three tranches as part of a non-brokered private placement of the Company's securities in May 2012. The original expiry dates of May 2014 were previously extended to March 31, 2015. The new expiry date is March 31, 2016 and the exercise price of \$0.75 remains unchanged.

Grant of Stock Options

On August 1, 2014, the Company granted 1,400,000 stock options to officers of the Company. These stock options have a five year term, are exercisable at a price of \$0.50 per share and have fully vested at June 30, 2015. On April 22, 2015, the Company granted an aggregate of 1,905,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable for a period of five years at an exercise price of \$0.25 per share. A total of 830,000 options will vest subject to the achievement of certain defined performance objectives. The balance of 1,075,000 options will vest over a two-year period.

EXPLORATION AND DEVELOPMENT ACTIVITIES

During the financial year ended June 30, 2015, the Company has conducted exploration and development activities on its Michigan projects as more particularly described below.

Copperwood Resource Estimate

On May 11, 2015, the Company announced a mineral resource estimate for its 100%-owned Copperwood Project located in Gogebic County, western Upper Peninsula of Michigan, and on June 25, 2015 the Company filed on SEDAR a NI 43-101 technical report in support of the resource estimate. The mineral resource estimate presented in the following table was prepared by G Mining Services Inc. ("G Mining"), an independent Canadian mining consultant. The current mineral resource estimate is based on 1,726 assay results from 324 diamond drill holes totaling 59,230 meters, drilled by three companies between 1956 and 2013.

Copperwood Project
Mineral Resource Estimate – April 15, 2015

| Deposits | Resource Category | Tonnage (Mt) | Copper Grade (%) | Silver Grade (g/t) | Copper Contained (M lbs) | Silver Contained (M oz) |
|-------------------|-------------------|--------------|------------------|--------------------|--------------------------|-------------------------|
| Copperwood | Measured | 22.5 | 1.73 | 5.08 | 861 | 3.7 |
| | Indicated | 6.6 | 1.37 | 2.56 | 200 | 0.5 |
| | M + I | 29.1 | 1.65 | 4.51 | 1061 | 4.2 |
| | Inferred | 1.9 | 1.24 | 2.36 | 52 | 0.1 |
| Satellites | Inferred | 38.6 | 1.23 | 2.09 | 1050 | 2.6 |

Notes on Mineral Resource Estimate

- (1) Mineral Resources are reported using a copper price of \$3.00/lb and a silver price of \$20/oz.
- (2) A payable rate of 96.5% for copper and 90% for silver was assumed.
- (3) The Copperwood feasibility study reported metallurgical testing with recovery of 86% for copper and 50% for silver.
- (4) Cut-off grade of 1.0% copper was used.
- (5) Operating costs are estimated at \$49/t of ore including ore transportation to a plant at the White Pine site.
- (6) An NSR sliding scale royalty is applicable and equivalent to 3.0% at \$3.00/lb.
- (7) Measured, Indicated and Inferred Mineral Resources have a drill hole spacing of 175 m, 250 m and 350 m, respectively.
- (8) No mining dilution and mining loss were considered for the Mineral Resources.
- (9) Rock bulk densities are based on rock types, % copper and proximity to specific gravity measurements.
- (10) Classification of Mineral Resources conforms to CIM definitions.
- (11) The qualified person for the estimate is Mr. Réjean Sirois, P. Eng., Vice President Geology and Resources of G Mining. The estimate has an effective date of April 15, 2015.
- (12) Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (13) The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as indicated or measured mineral resources.

Resource Drilling at White Pine North

During January and February 2015, Highland completed 27 diamond drill holes totaling 19,152 meters over an area of approximately eight square kilometers at the White Pine North deposit, Ontonagon County. Two holes were cased for re-entry at a later date because of spring melting. Six holes were inclined to obtain structural data for geotechnical studies and were surveyed with televiwer technology. The program used HQ core size and recoveries averaged over 99 percent. Highland designed its 2015 winter drilling program primarily to (i) infill the historical drill grid to prepare an estimate of mineral resource and (ii) obtain information to guide mine planning. The program was successful and the results from this second phase infill drilling (*news release of April 23, 2015*) are consistent with results from Highland's 2014 drilling program (*news release of July 3, 2014*) and confirmed copper-silver mineralization from adjacent historical drill holes completed by the previous operator. Highland also completed seven wedges to obtain approximately 200 kg of mineralized samples for metallurgical testing. The Company maintains a rigorous QA/QC program with respect to the preparation, shipping, analysis and checking of all samples and data from the properties. Activation Laboratories in Thunder Bay, Ontario, Canada (IOS 17025 accreditation) assayed all samples from the 2015 winter drilling program using an ICP method tailored for the project samples.

543S Resource Estimate

On August 25, 2014, the Company announced an initial resource estimate for the 543S copper deposit which is part of the Keweenaw Project, Keweenaw County, and a NI 43-101 technical report in support of the resource was filed on SEDAR on October 9, 2014. The mineral resource estimate was prepared by G Mining. After a detailed review of different options, Highland and G Mining have opted to report the mineral resources for potential underground development of the 543S deposit. This initial mineral resource estimate for the 543S copper deposit is based on 262 diamond drill holes totaling 45,608 m, of which 220 are NQ core size and 42 HQ core size, on a drill grid spaced 30.5 m by 15 m. Refer to the August 25, 2014 press release for further detail related to this initial resource estimate of the 543S deposit.

543S Copper & Silver Project – Base Case - Underground Scenario
Mineral Resource Estimate – July 5, 2014

| Resource Category | Cut-Off Grade Cu Eq. (%) | Tonnage (‘000 t) | Grade Cu Eq. (%) | Grade Cu (%) | Copper (‘000 lbs) | Grade Ag (g/t) | Silver (‘000 oz) |
|-------------------|-----------------------------|---------------------|---------------------|-----------------|----------------------|-------------------|---------------------|
| Indicated | 1.9 | 1,518 | 3.31 | 3.27 | 109,514 | 5.1 | 248 |
| Inferred | 1.9 | 193 | 3.12 | 3.08 | 13,116 | 4.8 | 30 |

Notes on Mineral Resource

- (1) $Cu \text{ Equivalent} = Cu\% + (Ag \text{ g/t} * 20\$/oz * 80\% * 90\%) / (22.0462 \text{ lbs}/10\text{kg} * 3\$/lb * 31.1035 \text{ g}/oz * 90\% * 96.5\%)$
- (2) Mineral Resources are reported using a copper price of 3\$/lb and a silver price of 20\$/oz
- (3) A payable rate of 96.5% for copper and 90% for silver was assumed
- (4) Preliminary metallurgical testing suggests recovery of 90% for copper and 80% for silver
- (5) Cut-off grade of 1.9% Cu Eq. was used
- (6) Underground mining costs are estimated at 57.27\$/t of ore
- (7) Production costs are estimated at 37.50\$/t of ore: 12.00\$/t for processing, 2.50\$/t for general and administrative costs, 0.50\$/t for tailings and 22.50\$/t for ore transportation to White Pine Complex
- (8) A 5% royalty was used (4.99\$/t ore)
- (9) No mining dilution and mining loss were considered for the Mineral Resources
- (10) Rock bulk densities are based on rock types, %Cu and proximity to specific gravity measurements
- (11) Assay capping was applied to some mineralized domains
- (12) Classification of Mineral Resources conforms to CIM definitions
- (13) The qualified person for the estimate is Mr. Réjean Sirois, eng., Vice President Geology and Resources of G Mining.
- (14) Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- (15) The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as indicated or measured mineral resources.

Pre-Feasibility Study

During the financial year ended June 30, 2015, work on several disciplines as part of a pre-feasibility study (“PFS”) were conducted. G Mining is managing the PFS, which began in September 2014. Other independent technical consultants have also been retained to conduct certain work. The main purpose of the study is to consider and assess the potential development of the Company’s Michigan projects through a centralized processing facility to be located at the White Pine site, which could also benefit from existing infrastructures. The White Pine brownfield site is being considered for several infrastructure installations such as tailings basins, water and natural gas pipelines, rail spur, electrical substation, and warehousing, to minimize impact on greenfield areas. As part of the PFS, the Company is re-assessing the mine plan previously proposed for the Copperwood deposit. The Company has retained COREM, a Quebec-based research laboratory, to conduct metallurgical studies of the White Pine North and Copperwood mineralized samples obtained from drill core and channel samples from underground pillars. The main focus of COREM’s work is process scheme development. Testing was designed to validate and improve historical performances from the previous White Pine mine operations. Preliminary open tests results are encouraging, having already produced a concentrate grading around 30% Cu at an average 88% Cu recovery. The collector being used has proven very suitable for silver flotation, indicating recoveries greater than 90%.

Golder Associates has been retained to analyze the alternatives for tailings disposal for the projects, particularly at the possibility of a combined facility at the White Pine site. Golder has also been looking at water management issues related to the various tailings disposal scenarios.

MHF Services, an Energy Solutions subsidiary, has conducted trade-off studies on the alternatives for ore transportation from the Copperwood and Keweenaw deposits to the White Pine site, and for the transportation of copper concentrate from a central processing plant at White Pine. The alternatives being contemplated include rail, trucking and barging. Highland has also initiated discussions with utility companies providing electrical power in the region and is currently studying the options of self-generation and connection to the local grid. Itasca Consulting Group of Minneapolis, Minnesota, was retained to act as geo-mechanical consultants to the projects.

Finally, environmental baseline studies have begun for all key areas including groundwater, surface water, wetlands, water balance, meteorological, flora and fauna, and baseline environmental assessments associated with the historical mining area at White Pine.

WHITE PINE NORTH PROJECT

On May 13, 2014 (the interim closing date), the Company entered into an agreement to acquire from Copper Range Company ("CRC"), a subsidiary of First Quantum Minerals Ltd., all of CRC's rights, title and interest in the White Pine site and issued to CRC 3,000,000 of its common shares. Highland further agreed that, upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, it will pay as additional consideration, in cash or in common shares of Highland, at the option of CRC, an amount equal to US\$0.005 (one half of one cent) per pound for the first one billion pounds of proven and probable reserves of copper and US\$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper.

The final closing of the acquisition will be completed once Highland has (i) released CRC for a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine mine site in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality ("MDEQ"). At that time, Highland will assume all of CRC's environmental liabilities related to the White Pine mine site and will also be responsible for all on-going environmental obligations. A number of technical and legally-focused meetings have been held over the last few months. These meetings have included representatives from CRC, the MDEQ and Highland. Final closing is anticipated to occur by December 31, 2015.

CRC acquired the original White Pine mine in 1937. Subsequent drilling revealed the widespread nature of the mineralization and underground mining by room and pillar methods followed by flotation of sulfides began in 1952. Production from 1952 to 1995 was 198,070,985 short tons 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 was completed in October 1995 by the then White Pine chief geologist based on 526 diamond drill holes. The Company has initiated the work required to verify the historical data with the objective of completing a resource estimate.

Lease of Mineral Rights

On April 24, 2015, the Company entered into an agreement to lease certain mineral rights located in White Pine, from a private Michigan limited liability corporation that is at arm's length to Highland. The mineral lease is for 20 years, with an option for an additional five years. Payment at closing consisted of US\$225,000 in cash and the issuance of 2,164,701 common shares of Highland (the equivalent of an amount of US\$400,000 using the 20-day volume weighted average trading price of Highland as of the day prior to closing). Additional cash payments will be payable on the first and second anniversaries of closing. Annual rent will also be payable on each anniversary of the lease. Upon commencement of production, Highland will have to pay 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. The Company has an option to repurchase 50% of the royalties. Highland may terminate the lease at any time upon a 30-day notice. The leased mineral rights cover an area of approximately 1,816 acres and are located within the White Pine North Project area, but do not belong to the owner of the former White Pine mine.

COPPERWOOD PROJECT

On June 17, 2014, the Company acquired the Copperwood Project through the acquisition from Orvana of all of the outstanding shares of Orvana Resources US Corp. ("Orvana US"). Highland paid US\$13 million in cash at closing and issued to Orvana a US\$7 million promissory note, which amount was reimbursed in full on December 15, 2014 (see *Reimbursement of Note due to Orvana* in *Financing Activities* section). An additional consideration of up to US\$5,000,000 may be paid by Highland in cash or shares of Highland, at Orvana's option, of which US\$1.25 million will become due upon the earliest of (i) commencement of commercial production of Copperwood and (ii) June 17, 2017; and an additional US\$1.25 million on the first anniversary of this payment. An amount of US\$1.25 million may also be payable 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 US\$4.25/lb; and an additional payment of US\$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 US\$4.50/lb.

KEWEENAW PROJECT

The Keweenaw Project, which includes the 543S and G-2 deposits, covers an area of approximately 9,000 acres. Under a Mining Venture Agreement (the "Venture Agreement") with BRP LLC ("BRP"), the Company has an option to acquire a 65 percent interest in the Keweenaw Project, by spending US\$11,500,000 in exploration and development work and providing a feasibility study by October 26, 2015. At June 30, 2015, a cumulative amount of US\$13,076,171 in eligible expenditures has been spent on the Keweenaw Project but the Company is not in a position to provide a feasibility study by the end of October 2015. To this end, the Company is in discussions with BRP to obtain an extension to the Venture Agreement. However, there is no assurance that an extension can be obtained. If the option is exercised, BRP will be entitled to a sliding scale net smelter return royalty from production ("NSR") on those properties contributed by BRP based on the price per pound of copper with a minimum of 2% up to a maximum of 5%.

OUTLOOK

Given the Company's limited financial resources and the current copper price environment, the Company has considerably reduced its activities over the last few months. The Company's current focus is to complete the final acquisition of the White Pine project. Based on the progress made to date, the Company strongly feels that CRC should be in a position to transfer to Highland all surface and mining rights associated with the White Pine Project and complete the final closing of the transaction prior to December 31, 2015.

The Company is also reassessing its development plans for its Michigan copper projects with a view of significantly reducing initial capital expenditure requirements and minimizing the payback period. To that end, the Company is considering the impact of developing its projects sequentially through a proposed centralized processing facility to be located at White Pine. Required drilling at this time, if deemed necessary, studies and metallurgical tests required for the completion of a PFS as well as environmental baseline studies will recommence as soon as the Company has raised the required funds.

The funds raised through the October private placement with Osisko (see detail under *Financing Activities* section) should enable the Company to settle all of its current obligations and to finalize the acquisition of the White Pine project. However, the Company requires additional funds to pursue the exploration and developments of its Michigan projects and to provide for management and administration expenses. The Company is continuing discussions with a number of parties to finance the Company's working capital requirements. In light of the current difficult market conditions and their impact on junior exploration companies in general and on copper developers in particular, there can be no assurance that the Company will be able to raise the funds required.

QUALIFIED PERSON

Carlos H. Bertoni, P. Geo., a Qualified Person under NI 43-101, has reviewed and approved all of the technical information in this MD&A. Mr. Bertoni is the Company's executive vice president, project development.

EXPLORATION EXPENSES

Amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's accounting policy, during the years ended June 30, 2015 and 2014 are as follows:

| Year ended June 30, 2015 | White Pine | Copperwood | Keweenaw | Other | Total |
|---|-------------------|------------------|------------------|----------------|-------------------|
| | North Project | Project | Project | Properties | |
| | \$ | \$ | \$ | \$ | \$ |
| Property payments | 761,541 | 127,313 | - | 49,304 | 938,158 |
| Site preparation, drilling and assaying | 4,027,384 | 35,217 | 1,884 | - | 4,064,485 |
| Labour | 1,780,645 | 220,683 | 141,431 | - | 2,142,759 |
| Studies | 1,459,535 | 171,758 | 16,815 | - | 1,648,108 |
| Finance expense on promissory note | - | 583,976 | - | - | 583,976 |
| Other expenses | 806,237 | 100,357 | 50,011 | - | 956,605 |
| | 8,835,342 | 1,239,304 | 210,141 | 49,304 | 10,334,091 |
| Depreciation and amortization | 200,619 | 6,089 | 62,187 | - | 268,895 |
| Gain on disposal of capital assets | - | (7,774) | - | - | (7,774) |
| Share-based remuneration | - | - | 139,869 | - | 139,869 |
| Accretion on purchase price payable | - | 499,325 | - | - | 499,325 |
| Effect of foreign exchange | 1,383,146 | 4,168,972 | 2,027,221 | 108,355 | 7,687,694 |
| | 10,419,107 | 5,905,916 | 2,439,418 | 157,659 | 18,922,100 |

| Year ended June 30, 2014 | White Pine | Copperwood | Keweenaw | Other | Total |
|---|------------------|-------------------|------------------|----------------|-------------------|
| | North Project | Project | Project | Properties | |
| | \$ | \$ | \$ | \$ | \$ |
| Property payments | 2,037,298 | 24,212,424 | 270,625 | 41,811 | 26,562,158 |
| Site preparation, drilling and assaying | 1,784,196 | - | 796,602 | 129,009 | 2,709,807 |
| Labour | 825,001 | 9,877 | 882,706 | 63,622 | 1,781,206 |
| Studies | 158,591 | 6,296 | 220,470 | - | 385,357 |
| Finance expense on promissory note | - | 36,436 | - | - | 36,436 |
| Other expenses | 274,775 | 4,267 | 454,642 | (59,171) | 674,513 |
| | 5,079,861 | 24,269,300 | 2,625,045 | 175,271 | 32,149,477 |
| Depreciation and amortization | - | 934 | 282,537 | 2,275 | 285,746 |
| Share-based remuneration | - | - | 101,120 | - | 101,120 |
| Accretion on purchase price payable | - | 18,870 | - | - | 18,870 |
| Effect of foreign exchange | (51,767) | (390,359) | 131,782 | 4,512 | (305,832) |
| | 5,028,094 | 23,898,745 | 3,140,484 | 182,058 | 32,249,381 |

SELECTED CONSOLIDATED FINANCIAL INFORMATION ⁽¹⁾⁽²⁾⁽³⁾

The following selected financial information should be read in conjunction with the Company's June 30, 2015 and 2014 consolidated financial statements.

| | June 30, 2015 | June 30, 2014 | |
|--|--|--|--|
| | \$ | \$ | |
| Financial position | | | |
| Cash | 1,042,341 | 3,242,710 | |
| Exploration and evaluation assets | 61,568,034 | 42,645,934 | |
| Total assets | 62,950,927 | 46,536,013 | |
| Deposit on sale of royalty | 10,000,000 | - | |
| Promissory note | - | 7,473,900 | |
| Balance of purchase price payable | 2,207,430 | 1,434,850 | |
| Shareholders' equity | 47,307,629 | 35,414,291 | |
| | 12-months ended June 30, 2015 | 12-months ended June 30, 2014 | 13-months ended June 30, 2013 |
| | \$ | \$ | \$ |
| Expenses and other items | | | |
| Management and administration expenses | 3,087,579 | 1,724,225 | 2,607,240 |
| Pre-exploration expenses | 81,765 | 1,745,437 | 41,785 |
| Accretion on environmental liability | 17,403 | 2,106 | - |
| Finance income | (10,358) | (8,664) | (84,744) |
| Gain on foreign exchange | (33,595) | (39,885) | (256,946) |
| Net loss for the period | (3,142,794) | (3,423,219) | (2,307,335) |
| Basic and diluted loss per share | (0.03) | (0.06) | (0.04) |
| Cash flows | | | |
| Operating activities | (2,772,930) | (2,166,128) | (1,411,382) |
| Investing activities | (8,459,188) | (21,026,360) | (9,026,316) |
| Financing activities | 9,238,151 | 20,082,935 | 406,249 |

1) The Selected Consolidated Financial Information was derived from the Company's June 30, 2015 and 2014 consolidated financial statements, prepared in accordance with IFRS.

2) In August 2012, the Company changed its year-end from May 31 to June 30. Accordingly, the 2013 financial information presented in this MD&A is for a 13-month period ended June 30, 2013.

Management and administration expenses are summarized as follows:

| | 12-months ended June 30, 2015 | 12-months ended June 30, 2014 | 13-months ended June 30, 2013 |
|-------------------------------|--|--|--|
| | \$ | \$ | \$ |
| Administrative and general | 1,348,384 | 490,781 | 981,564 |
| Office | 257,624 | 116,225 | 118,659 |
| Professional fees | 459,894 | 254,724 | 56,163 |
| Investor relations and travel | 298,152 | 320,140 | 208,577 |
| Reporting issuer costs | 31,511 | 21,433 | 43,800 |
| | 2,395,565 | 1,203,303 | 1,408,763 |
| Share-based remuneration | 667,777 | 511,202 | 1,192,529 |
| Depreciation and amortization | 24,237 | 9,720 | 5,948 |
| | 3,087,579 | 1,724,225 | 2,607,240 |

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and any other factor that the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

Going concern

The Company's consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities, including the successful completion of the acquisition of the White Pine project, the acquisition of a 65% interest in the Keweenaw Project and raising additional funds (see *Other Risks and Uncertainties* section). The completion of the acquisition of the White Pine project is dependent on a number of factors, not all of which are under the Company's control, and as such, there is no assurance that the Company will complete the acquisition of the White Pine project. If the acquisition of the White Pine project is not completed by December 31, 2015, the deposit on sale of a royalty of \$10,000,000 will become refundable (see *Royalty agreements with Osisko* section). The Company requires additional funds to meet its exploration and development objectives and to provide for management and administration expenses for at least the next 12 months. If the Company is not successful in raising additional funds, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, any of which could harm the business, financial condition and results of operation of the Company. The conditions and uncertainties described above indicate the existence of a material uncertainty that casts a significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for the Company's consolidated financial statements, adjustments which could be material would be necessary to the carrying value of assets and liabilities, in particular an impairment of exploration and evaluation assets, as well as adjustments to reported expenses.

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 as well as other items such as foreign exchange gains or losses.

In accordance with its accounting policy, an amount of \$18.9 million in exploration and evaluation expenses was capitalized during the year ended June 30, 2015. These expenses include site preparation, drilling and assaying expenses of \$4.1 million, labor and overhead expenses of \$3.1 million, PFS-related expenses of \$1.6 million, finance expense on the Orvana promissory note and balance of purchase price payable of \$1.1 million, property payments of \$0.9 million, an increase due to foreign exchange of \$7.7 million following the weakening of the Canadian dollar during the reporting period and other non-cash expenses of \$0.4 million. In 2014, the Company capitalized a total amount of \$32.2 million as exploration and evaluation assets, including the cost of acquiring the Copperwood Project (\$24.2 million) and the White Pine Project (\$2.0 million). The detail of the exploration and evaluation assets by project is presented in the *Exploration expenses* section.

Year ended June 30, 2015 compared to year ended June 30, 2014

The Company incurred a net loss of \$3.1 million during the year ended June 30, 2015 compared to a net loss of \$3.4 million in 2014. Pre-exploration expenses of \$1.7 million incurred at White Pine North in 2014 before the legal right to undertake exploration and evaluation activities had been obtained were partially offset during the current year by higher administrative and general expenses of \$1.4 million as a result of the increased activities following the acquisition of the White Pine North Project and the Copperwood Project in May and June 2014 and professional fees incurred in relation to the Royalty Agreements with Osisko described in the *Financing Activities* section. Higher share-based remuneration expense was charged to income in 2015 compared to 2014 due to the grant of 1,905,000 stock options in April 2015 and 1,400,000 stock options in August 2014. At June 30, 2015, an amount of \$144,509 of cost remains to be amortized in future periods (until April 2017) related to the grant of stock options.

Year ended June 30, 2014 compared to year ended June 30, 2013

The Company incurred a net loss of \$3.4 million during the year ended June 30, 2014 compared to a net loss of \$2.3 million during the year ended June 30, 2013. The increased loss in 2014 is due mainly to pre-exploration expenses of \$1.7 million (which mainly included preparation work related to the White Pine North Project before the legal right to undertake exploration and evaluation activities had been obtained) compared to \$0.1 million in 2013. This increased loss was partially offset by lower management and administration expenses. Lower administrative and general expenses in 2014 (administrative and general expenses in 2013 included signing bonuses of \$0.6 million in order to retain the services of the executive chairman and the president and CEO of the Company) and lower share-based remuneration were partially offset by higher professional fees related to the acquisition of the White Pine and Copperwood projects and to higher investor relations and travel expenses due to the increased corporate activities.

During the years ended June 30, 2014 and 2013, share-based remuneration of \$0.5 million and \$1.2 million, respectively were charged to income and \$0.1 million and \$0.3 million, respectively were deferred to exploration and evaluation assets. No stock options were granted in 2014 compared to the grant of 4,380,000 stock options in 2013 at a weighted-average fair value of \$0.51 per option. At June 30, 2014, an amount of \$120,321 of cost remains to be amortized in future periods (until November 2014), related to the grant of stock options.

During the year ended June 30, 2014, the Company accounted for a gain on foreign exchange of \$0.1 million, which results mostly from the conversion of cash held by the parent company in US dollars. During the comparative period, the Company accounted for a gain on foreign exchange of \$0.3 million.

4th quarter ended June 30, 2015 compared to the 4th quarter ended June 30, 2014

During the 4th quarter ended June 30, 2015, the Company incurred a net loss of \$0.5 million (\$0.01 per share), compared to a net loss of \$0.8 million (\$0.01 per share) during the 4th quarter ended June 30, 2014. Management and administration expenses totaled \$0.5 million during each of the 4th quarters ended June 30, 2015 and June 30, 2014. Pre-exploration expenses which relate to activities conducted at the White Pine North Project before the legal right to undertake exploration and evaluation activities had been obtained totaled \$0.3 million during the 4th quarter ended June 30, 2014 compared to nil during the comparative period in 2015.

Selected Quarterly Financial Information

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

| | Revenues | Net loss | Basic and diluted loss per share |
|---------------------|-----------------|-----------------|---|
| Period ended | \$ | \$ | \$ |
| June 30, 2015 | 3,359 | (529,381) | (0.01) |
| March 31, 2015 | 2,325 | (436,823) | (0.00) |
| December 31, 2014 | 582 | (1,011,470) | (0.01) |
| September 30, 2014 | 4,092 | (1,165,120) | (0.01) |
| June 30, 2014 | 3,303 | (846,359) | (0.01) |
| March 31, 2014 | 1,279 | (1,123,722) | (0.02) |
| December 31, 2013 | 1,529 | (718,037) | (0.01) |
| September 30, 2013 | 2,553 | (735,101) | (0.02) |

Liquidity and Capital Resources

The Company's working capital deficiency at June 30, 2015 totaled \$12.0 million compared to a working capital deficiency of \$6.0 million at June 30, 2014. The increase in the working capital deficiency during the year ended June 30, 2015 is mainly attributable to investments made on the Company's exploration and evaluation assets (\$10.3 million), management and

administration expenses (\$2.4 million) and the impact of the weakening Canadian dollar on the repayment of the promissory note to Orvana (\$0.7 million), partially offset by the net proceeds of \$7.4 million received on the completion of a private placement.

In March 2015, the Company completed in three tranches a non brokered private placement for gross proceeds of \$7.6 million. A total of 30,410,746 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at \$0.25 per unit. Each Warrant is exercisable for a period of 18 months from the closing date at an exercise price of \$0.50 to acquire one common share. Finder's fees of \$0.2 million were incurred in relation to this private placement.

On December 15, 2014, Osisko made a \$10.0 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine North Project (see details in the *Financing Activities* section). An amount of \$8.8 million was used from the proceeds of the Osisko deposit to reimburse the US\$7 million promissory note and accrued interest due to Orvana for the acquisition of the Copperwood project. The deposit is secured against all of the Company's assets.

The Company needs to raise additional funds to meet all of its obligations, to pursue exploration and development work on its mineral projects and to provide for management and administration expenses. To this effect, on October 6, 2015, the Company completed a private placement with Osisko and issued 24,426,434 common shares for total gross proceeds of \$3.7 million (see detail of this private placement under *Financing Activities* section). However, the Company will require additional funds to meet its exploration and development objectives and to provide for management and administration expenses for at least the next 12 months. The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The potential sources of future funds presently available to the Company are through the sale of equity capital of the Company, debt financing, joint venture or other arrangements. The ability of the Company to arrange the required financing depends in part upon the global economic and capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for continued operations.

Capital Management

The Company defines capital that it manages as loans (including deposit on sale of royalty, promissory note and balance of purchase price payable) 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 exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At June 30, 2015, managed capital was \$59.5 million (\$44.3 million at June 30, 2014). There were no changes in the Company's approach to capital management during the year ended June 30, 2015. The Company is not subject to any externally imposed capital requirements as at June 30, 2015.

Off-Balance Sheet Arrangements

At June 30, 2015, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the year ended June 30, 2015, the Company incurred administration expenses of \$0.5 million from Reunion Gold Corporation ("Reunion"), a related party by virtue of common management and directors (administration expenses of \$0.2 million and the purchase of capital assets of \$0.1 million from Reunion in 2014). At June 30, 2015, the Company had an amount due to Reunion of \$8,022 (nil at June 30, 2014). These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties. The services provided by Reunion under the service agreement include administrative support, corporate and regulatory services, office space, and office equipment and supplies.

Remuneration to directors and key management of the Company totaled \$1.7 million during the year ended June 30, 2015, (\$1.0 million in 2014).

Outstanding Share Data

At October 15, 2015, the Company has 153,968,626 common shares issued and outstanding, 56,455,373 share purchase warrants exercisable at an average price of \$0.68 per share until September 27, 2016, and 7,582,000 stock options outstanding with an average exercise price of \$0.49, expiring at various dates until April 2020.

Significant Accounting Policies

Exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred. Once the legal right to undertake exploration and evaluation activities has been obtained, all option and lease payments, costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties are capitalized as exploration and evaluation assets. Expenses related to exploration and evaluation which are capitalized include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase. Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts with the difference recognized in profit or loss. When the technical feasibility and the commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred as tangible assets and related development expenditures are capitalized. Before the reclassification, the related exploration and

evaluation assets are tested for impairment and any impairment loss is then recognized in profit or loss. Borrowing costs directly attributable to the acquisition of exploration and evaluation assets are added to the cost of the project until such time as the assets are substantially ready for their intended use or sale, which in the case of mining properties, is when they are capable of commercial production.

Impairment of non-financial assets

At the end of each reporting date, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Factors which could trigger an impairment review include, but are not limited to, the expiration of the right to explore in the specific area during the period or said right will expire in the near future and is not expected to be renewed; substantive expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale due to significant negative industry or economic trends and a significant drop in commodity prices. The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset, such value being discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each property representing a potential cash-generating unit. A previous impairment is reversed if the asset's recoverable amount exceeds its carrying amount.

Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising

from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the related asset, as soon as the obligation to incur such costs arises and to the extent that such cost can be reasonably estimated.

Significant accounting judgements 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. Actual outcomes could differ from these estimates. The Company's consolidated financial statements include estimates which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, judgments and assumptions are recognized in the period in which the estimate is revised and future period if the revision affects both current and future 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, relate to, but are not limited to the following:

a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures are subject to certain assumptions and do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The final closing of the acquisition of the White Pine Project will be completed once the Company has i) released Copper Range Company ("CRC") of a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality ("MDEQ"). The Company has determined that there is no indication that it will not be able to meet these conditions. However, meeting these conditions is dependent on a number of factors, not all of which are under the Company's control, and there is no assurance that they will be met.

Because the Company is not in a position to provide a feasibility study on the Keweenaw Project by October 26, 2015, the Company must negotiate an amendment to the agreement with BRP LLC ("BRP") in order to maintain its option to acquire a 65% interest in the Keweenaw Project. The Company is in discussions with BRP to this effect and an amended agreement is being drafted. The Company believes that it will be able to come to terms with BRP on an amended option agreement, but not all factors are under the Company's control. There is therefore uncertainty that an amended agreement with BRP will be completed.

b) *Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test in the year the new information becomes available. The Company has determined that there are currently no indicators of impairment.

c) *Environmental liability*

The Company's accounting policy for the recognition of environmental liability requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance, the timing, extent, and costs of closure and rehabilitation activities and the determination of an appropriate discount factor. Changes to these estimates and assumptions may result in future actual expenditures differing from the amounts currently provided for. The environmental liability is periodically reviewed and updated based on the available facts and circumstances.

New Accounting Pronouncements

Certain pronouncements issued by the IASB or the IFRS Interpretations Committee are mandatory for accounting periods beginning on or after January 1, 2014. These include IAS 32, Financial Instruments - presentation; IFRIC 21, Levies; and IAS 36, Impairment of Assets. The Company has adopted these new standards, amendments and interpretations effective July 1, 2014 but they have had no significant impact on its financial information.

Accounting Standards Issued but not yet Applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of these consolidated financial statements that are expected to be relevant to the Company are listed below. Certain other standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

Business combination accounting for interest in a joint operation (Amendments to IFRS 11)

On May 6, 2014, the IASB issued *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)*. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business.

IFRS 9, Financial Instruments

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, *Financial Instruments*. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model. IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets or liability. It also introduces limited changes relating to financial liabilities and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently reviewing the impact that this standard will have on its consolidated financial statements.

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, currency risk, credit risk and interest rate 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's ability to continue as a going concern is dependent on management's ability to raise the funds required for continued operations through future financings (see '*Financial Condition*' section).

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2015:

| | Carrying amount | Settlement amount | Within 1 year | 2-3 years | Over 3 years |
|--|--------------------|----------------------|------------------|-----------|-----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Accounts payable and accrued liabilities | 3,146,097 | 3,146,097 | 3,146,097 | - | - |
| Due to a related party | 8,022 | 8,022 | 8,022 | - | - |
| Deposit on sale of royalty | 10,000,000 | 10,000,000 | 10,000,000 | - | - |
| Balance of purchase price payable | 2,207,430 | 3,122,500 | - | 3,122,500 | - |
| | 15,361,549 | 16,276,619 | 13,154,119 | 3,122,500 | - |

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 dollar. The consolidated entity seeks to minimise its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions are entered into at spot rates. 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, 2015, assets and liabilities denominated in a foreign currency consisted of cash of \$0.1 million and accounts payable and accrued liabilities of \$0.7 million. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately \$58,000.

Credit Risk

At June 30, 2015, the Company's financial assets exposed to credit risk are primarily composed of cash. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds. The Company's cash is held with large financial institutions, with most of the Company's cash held with a Canadian-based financial institution.

Interest Rate Risk

The Company's interest rate risk relates to cash. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest bearing accounts with major Canadian-based chartered banks. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$10,000.

OTHER RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties which include but are not limited to the nature of its business and the present stage of exploration and development of its mineral projects, the requirement for additional funds to settle its obligations and commitments, and to pursue its planned exploration and development activities on all of its 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 future operating results. Therefore, an investment in the securities of the Company involves significant risks and should be considered speculative. The risks and uncertainties described herein are not necessarily the only ones that the Company could be facing. The Company cannot give assurance that it will successfully address these risks or other unknown risks that may affect its business. Readers should carefully consider the risks and uncertainties described below.

Company Specific Risks

- The Company may be unable to continue funding the exploration and development of its projects and achieve its business objectives and milestones.
- The Company may be unable to complete the acquisition of the White Pine Project if it cannot meet the final closing conditions. This would force the Company to refund the \$10 million deposit on sale of a royalty to Osisko and would negatively impact the Company's business plan.
- The Company's plans and objectives as well as its ability to raise funds may be affected by copper prices. The price of copper has recently declined to a six-year low.
- The Company is subject to environmental risks related to the fact that the White Pine Project is subject to a consent decree and, as part of the acquisition of White Pine, the Company will have to assume certain environmental responsibilities related to the closure of the former White Pine Mine.
- The Company will not complete a feasibility study on the Keweenaw Project by October 26, 2015 as a condition to acquire a 65% interest in the Keweenaw Project; discussions to obtain an extension to the agreement with the owner of the Keweenaw Project have been held, however, there is no assurance that an extension can be obtained.
- The Company is taking steps to verify title with respect to its most material mineral properties. Although the Company believes that title to its mineral properties are in good standing there is no guarantee that title to such properties will not be challenged or impugned.
- The Company's mineral resource estimates are not mineral reserves. There is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and that the Company will be able to demonstrate the economic viability of its deposits.
- The Company may not obtain all necessary permits to conduct its activities and operate a mine.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources.
- The Company has no history of earnings and does not expect to receive revenues from operations in the foreseeable future.
- 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.
- Mineral exploration is subject to geological uncertainties and interpretation.
- Mineral exploration is subject to numerous industry operating and environmental hazards and risks, many of which are beyond the Company's control.
- Substantial expenditures are required to explore mineral projects, define mineral resources, and complete all metallurgical, engineering, environmental, financial and other studies required to complete a feasibility study.

- Changes in mining and environmental laws.
- Necessary permits to operate may not be granted or may be granted later than anticipated.
- Current economic uncertainties globally have created market volatility and risk aversion among investors, limiting capital raising options.
- Commodity prices including the price of copper have fluctuated widely in the past and are expected to continue to do so in the future.
- Mining operations including exploration and development activities are subject to numerous laws and regulations.
- Title to mineral rights and surface rights may be disputed.
- 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 applicable Canadian securities laws. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate”, “may” and “will” or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking information.

Specifically, this MD&A contains forward-looking information regarding the Company's plans going forward including plans to raise additional funds to pursue the Company's activities and to meet its current obligations, plans to complete the acquisition of the White Pine Project and of a 65% interest in the Keweenaw Project, plans to complete technical studies, additional drilling programs and resource estimates, and plans to have a centralized processing facility at White Pine. Other forward looking information in this MD&A includes, but is not limited to, forward-looking information with respect to the requirement for additional capital and other statements relating to the financial and business prospects of the Company.

There can be no assurance that the Company will be successful in its efforts to complete its plans and achieve its objectives and that such forward-looking information will prove to be accurate. Actual results could differ materially from those currently anticipated due to any number of factors, including the inability of the Company to secure the funds necessary to meet its plans and obligations, the inability to complete a resource estimate and technical studies, the conclusions of such studies, and other variables such as lower than expected grades and quantities of resources, changes in demand for and prices of copper, mining rates and recovery rates, legislative, environmental and other regulatory approval or political changes, delays in obtaining or failures to obtain required governmental, environmental or other approvals and sufficient financing, changes in exchange rates, and other factors.

Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, except as may be required by law.

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 15, 2015. 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).