



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the three and nine months ended March 31, 2017

In Canadian Dollars

Unaudited

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Highland Copper Company Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Financial Position

<i>(unaudited, in Canadian dollars)</i>	March 31, 2017	June 30, 2016
	\$	\$
ASSETS		
Current		
Cash	26,263,405	201,998
Sales taxes receivable	30,740	-
Prepaid expenses and other	20,456	6,233
	26,314,601	208,231
Non-current		
Capital assets	59,142	114,990
Exploration and evaluation assets (Note 4)	58,647,196	53,827,188
TOTAL ASSETS	85,020,939	54,150,409
LIABILITIES		
Current		
Accounts payable and accrued liabilities	3,494,332	3,019,495
Due to Reunion Gold Corporation (Note 10)	-	25,543
Current portion of note payable (Note 5)	146,289	-
Balance of purchase price payable (Note 4)	1,633,703	1,445,087
	5,274,324	4,490,125
Non-current		
Note payable (Note 5)	402,295	-
Balance of purchase price payable (Note 4)	1,473,367	1,289,355
Environmental liability	324,645	306,606
TOTAL LIABILITIES	7,474,631	6,086,086
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	74,003,474	51,754,469
Contributed surplus	13,481,537	6,253,329
Deficit	(19,236,852)	(17,809,014)
Cumulative translation adjustment	9,298,149	7,865,539
TOTAL EQUITY	77,546,308	48,064,323
TOTAL LIABILITIES AND EQUITY	85,020,939	54,150,409

Going concern (Note 2); Commitments and contingencies (Note 4).

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

On behalf of the Board,

/s/ Denis Miville-Deschênes
Denis Miville-Deschênes, Director

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

<i>(unaudited, in Canadian dollars)</i>	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Expenses and other items				
Management and administration (Note 8)	458,235	314,335	1,017,522	994,657
Business development	158,324	48,325	158,324	79,783
Write-down of exploration and evaluation assets	-	-	-	273,883
Accretion on environmental liability	2,978	3,910	8,909	11,726
Finance expense on loan from a director (Note 10)	-	-	11,497	-
Finance income	(8,881)	(700)	(10,425)	(3,628)
Loss (gain) on foreign exchange	232,691	7,796	242,011	(5,535)
Net loss for the period	(843,347)	(373,666)	(1,427,838)	(1,350,886)
Other comprehensive income (loss)				
Item that will not be subsequently reclassified to income				
Foreign currency translation adjustment	(464,625)	(3,980,723)	1,432,610	2,156,282
Comprehensive income (loss) for the period	(1,307,972)	(4,354,389)	4,772	805,396
Basic and diluted loss per common share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares - basic and diluted	228,513,488	153,968,626	182,223,242	145,263,933

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Shareholders' Equity

<i>(unaudited, 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, 2016	153,968,626	51,754,469	6,253,329	(17,809,014)	7,865,539	48,064,323
Private placement (Note 6)	300,229,670	22,982,411	7,040,556	-	-	30,022,967
Shares issued on debt settlement (Note 6)	4,949,857	445,367	49,619	-	-	494,986
Share issue expenses (Note 6)	-	(1,178,773)	113,562	-	-	(1,065,211)
Share-based compensation	-	-	24,471	-	-	24,471
Net loss for the period	-	-	-	(1,427,838)	-	(1,427,838)
Foreign currency translation adjustment	-	-	-	-	1,432,610	1,432,610
Balance at March 31, 2017	459,148,153	74,003,474	13,481,537	(19,236,852)	9,298,149	77,546,308
Balance at June 30, 2015	129,542,192	48,115,461	6,173,571	(13,592,922)	6,611,519	47,307,629
Private placement	24,426,434	3,663,965	-	-	-	3,663,965
Share issue expenses	-	(24,957)	-	-	-	(24,957)
Share-based compensation	-	-	67,868	-	-	67,868
Net loss for the period	-	-	-	(1,350,886)	-	(1,350,886)
Foreign currency translation adjustment	-	-	-	-	2,156,282	2,156,282
Balance at March 31, 2016	153,968,626	51,754,469	6,241,439	(14,943,808)	8,767,801	51,819,901

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Cash Flows

<i>(unaudited, in Canadian dollars)</i>	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(843,347)	(373,666)	(1,427,838)	(1,350,886)
Adjustments				
Share-based compensation	4,129	12,386	15,418	40,710
Depreciation and amortization	176	13,493	15,156	26,708
Write-down of exploration and evaluation assets	-	-	-	273,883
Unrealized loss (gain) on foreign exchange	232,691	7,796	242,011	(5,535)
Accretion on environmental liability	2,978	3,910	8,909	11,726
Finance expense on loan from a director	-	-	11,497	-
Finance income accrued	(8,881)	(700)	(10,425)	(3,628)
Finance income received	2,147	922	3,691	4,132
Changes in working capital items				
Sales taxes receivable	(20,786)	26,617	(30,740)	44,912
Prepaid expenses and other	(6,042)	8,294	(14,223)	34,369
Accounts payable and accrued liabilities	(176,978)	70,891	93,392	(145,965)
Due to Reunion Gold Corporation	106,633	(1,289)	(25,543)	(8,022)
	(707,280)	(231,346)	(1,118,695)	(1,077,596)
Investing activities				
Acquisition of capital assets	(975)	-	(975)	(33,127)
Proceeds on disposal of capital assets	-	70,995	-	70,995
Additions to exploration and evaluation assets	(1,084,702)	(489,473)	(2,043,978)	(3,089,664)
	(1,085,677)	(418,478)	(2,044,953)	(3,051,796)
Financing activities				
Issue of shares (Note 6)	26,984,967	-	30,022,967	3,663,965
Share issue expenses (Note 6)	(889,156)	-	(1,065,211)	(24,957)
Loan from a director (Note 10)	-	-	483,489	-
Addition to note payable (Note 4)	-	-	201,406	-
Reimbursement of note payable (Note 5)	(36,765)	-	(218,030)	-
	26,059,046	-	29,424,621	3,639,008
Effect of exchange rate changes on cash held in foreign currency	(172,247)	32,056	(199,566)	27,770
Net change in cash	24,093,842	(617,768)	26,061,407	(462,614)
Cash, beginning of period	2,169,563	1,197,495	201,998	1,042,341
Cash, end of period	26,263,405	579,727	26,263,405	579,727
Supplemental cash flow information				
Current liabilities related to exploration and evaluation assets	759,709	(88,379)	871,104	(960,230)
Depreciation and amortization included in exploration and evaluation assets	10,726	25,970	44,299	103,963
Share-based compensation included in exploration and evaluation assets	2,973	8,921	9,053	27,158
Gain on disposal of assets included in exploration and evaluation assets	-	(70,995)	-	(70,995)
Finance expense included in exploration and evaluation assets	90,119	115,622	289,379	359,882
Reclassification of accounts payable to note payable	-	-	548,973	-
Loan from a director settled by the issue of shares and warrants	-	-	494,986	-

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - 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. The Company has assembled a number of advanced-stage copper projects located in Michigan’s Upper Peninsula region, including Copperwood, White Pine and Keweenaw. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage.

All financial results in these unaudited condensed interim 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.

In March 2017, the Company completed the previously announced non-brokered private placement of its securities and issued in four tranches a total of 300,229,670 units (the “Units”) at \$0.10 per Unit, to raise a total amount of \$30,022,967 (the “Offering”). The Company intends to use the proceeds from the Offering to update the feasibility of the Copperwood Project, to complete the acquisition of the White Pine Project, to settle its liabilities, and for general corporate purposes.

The Board of Directors approved these consolidated financial statements on May 15, 2017.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

2. GOING CONCERN

These unaudited condensed interim 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 completing the acquisition of the White Pine Project and acquiring a 65% interest in the Keweenaw Project.

In March 2017, the Company completed a non-brokered private placement and raised a total amount of \$30,022,967. Although the Company estimates that the funds raised will be sufficient to carry-out its planned exploration and development work and to provide for management and administration expenses for the next 12 months, the Company will require additional funds to meet all existing commitments which are due after March 31, 2018 and to further pursue its exploration and development activities on all of its mineral properties. Should the Company not be successful in raising such additional funds, it may be required to delay, reduce the scope of, or eliminate its future exploration and development activities, and / or sell some of its assets, 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 may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these unaudited condensed interim 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.

3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies as the Company's most recent annual consolidated financial statements. They do not contain all of the information and disclosures required for annual financial statements, and should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2016 and 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

4. 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 at June 30, 2016	18,587,530	21,462,768	13,337,295	439,595	53,827,188
Property payments in cash	198,095	145,943	-	32,239	376,277
Drilling and site preparation	-	1,169,898	-	-	1,169,898
Labour	254,161	357,608	2,373	-	614,142
Studies	-	67,189	-	-	67,189
Other exploration expenses	553,980	103,159	18,815	-	675,954
Depreciation and amortization	27,461	2,013	14,825	-	44,299
Share-based compensation	-	-	9,053	-	9,053
Finance expense	11,622	289,379	-	-	301,001
Effect of foreign exchange	542,663	649,626	356,679	13,227	1,562,195
	1,587,982	2,784,815	401,745	45,466	4,820,008
Balance at March 31, 2017	20,175,512	24,247,583	13,739,040	485,061	58,647,196
Balance at June 30, 2015	15,447,201	29,804,661	15,642,832	673,340	61,568,034
Property payments in cash	-	148,032	-	29,815	177,847
Labour	871,171	80,405	99,687	-	1,051,263
Studies	547,056	(9,918)	-	-	537,138
Other exploration expenses	371,236	(48,086)	40,153	-	363,303
Depreciation and amortization	30,656	4,314	68,993	-	103,963
Write-down	-	-	-	(273,883)	(273,883)
Gain on disposal of capital assets	-	-	(70,995)	-	(70,995)
Share-based compensation	-	-	27,158	-	27,158
Finance expense	-	359,882	-	-	359,882
Effect of foreign exchange	540,558	1,169,703	558,306	30,296	2,298,863
	2,360,677	1,704,332	723,302	(213,772)	4,574,539
Balance at March 31, 2016	17,807,878	31,508,993	16,366,134	459,568	66,142,573

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project, Michigan, USA

On May 13, 2014 (the interim closing date), the Company entered into an agreement to acquire from Copper Range Company ("CRC") all of CRC's rights, title and interest in the White Pine Project. The final closing of the acquisition will be completed once Highland has (i) released CRC of a financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. Final closing has been extended to June 30, 2017. 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.

Upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, the Company will pay to CRC 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. At March 31, 2017, 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 yet accounted for this contractual contingent liability.

Lease Agreement, White Pine, Michigan, USA

In April 2015, the Company entered into a 20-year lease agreement, with an option for an additional 5 years, for certain mineral rights located in White Pine, Michigan. In accordance with the terms of the agreement with the holder of the mineral rights (the "Lessor"), an additional cash payment of US\$550,000 was to be made to the Lessor by the Company, including \$400,000 payable in April 2016 and US\$150,000 due in April 2017. On December 30, 2016, the Company entered into an amended agreement with the Lessor providing a revised schedule of payments for the US\$550,000 amount owed to the Lessor, including the April 2016 payment which had not yet been made, as described in Note 5 below.

The lease agreement also calls for an annual rent to be paid on the anniversary of the lease. The initial rent payment of US\$25,000 which was due in April 2016 was paid on December 30, 2016.

Upon commencement of production, Highland will have to pay to the Lessor a sliding scale royalty on copper and silver production from the leased mineral rights with a base royalty of 2% for copper and 2.5% for silver.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Copperwood Project

As part of the June 2014 acquisition of the Copperwood project from Orvana Minerals Corp. ("Orvana"), the Company is required to pay as additional consideration in cash or shares of Highland, at Orvana's option, an amount of US\$1.25 million on June 17, 2017 and US\$1.25 million on June 17, 2018. The fair value of the amounts due in 2017 and 2018 have been accounted for and presented as Balance of Purchase Price Payable on the consolidated statements of financial position. An additional amount of US\$1.25 million may also be payable to Orvana 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. The contingent liability of US\$2.5 million will only be recognized if and when the contingency is satisfied. The Copperwood Project consists of a number of mineral leases, which call for annual rent payments until 2036. The mineral leases are also subject to quarterly net smelter return ("NSR") royalty payments and will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices.

Osisko royalty and Osisko option on future silver production

Following an amendment in June 2016 of the December 2014 agreement between the Company and Osisko Gold Royalties Ltd. ("Osisko"), Osisko now holds a 3.0% NSR royalty on all metals to be produced at the Copperwood Project. The June 2016 amendment also provides that upon closing of the acquisition of the White Pine Project, the Company will grant to Osisko a 1.5% NSR royalty on all metals from the White Pine North project (part of the White Pine Project), and Osisko's NSR royalty on the Copperwood Project will be reduced to 1.5%. Osisko retains security over all of the Company's assets to guarantee the payment of the royalty.

In connection with the December 2014 agreement with Osisko, the Company had granted to Osisko an option to purchase for US\$26 million 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 within 60 days following the delivery to Osisko of a feasibility study on the Michigan Projects.

Keweenaw Project

Under a Mining Venture Agreement with BRP LLC ("BRP"), the Company has an option to acquire a 65 percent interest in the Keweenaw Project (which includes the 543S deposit) by providing a feasibility study by December 31, 2017 and securing some of the historical shafts located in the Keweenaw region. Upon 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%.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

5. NOTE PAYABLE

On December 30, 2016, the Company entered into an amended agreement with the Lessor of certain mineral rights located in White Pine, Michigan (Note 4 - *Lease Agreement, White Pine, Michigan, USA*) for the remaining amount of US\$550,000 owed to the Lessor. Under the terms of the amended agreement, the Company paid an amount of US\$110,000 on December 30, 2016 and agreed to pay the balance of US\$440,000 in sixteen equal quarterly principal amounts of US\$27,500, plus interest accruing at the rate of 8% per annum. The first quarterly payment was made on March 30, 2017 and subsequent quarterly payments are due on June 30, September 30, December 30 and March 30 of each year until fully paid. At March 31, 2017, the Company presented an amount of \$146,289 (US\$110,000) as current liability and the remaining balance of \$402,295 (US\$302,500) as non-current liability.

6. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At March 31, 2017, the Company had 459,148,153 issued and outstanding common shares (153,968,626 at June 30, 2016).

Between November 30, 2016 and March 24, 2017, the Company completed in four tranches a non-brokered private placement for gross proceeds of \$30,022,967 (the "Financing"). A total of 300,229,670 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at \$0.10 per unit. Each Warrant is exercisable for a period of 12 months from its respective closing date at an exercise price of \$0.15 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 weighted-average risk-free interest rate of 0.74%, an expected life of the Warrants of one year, an annualized weighted-average volatility of 96% and a dividend rate of 0%. An amount of \$7,040,556 was allocated to such Warrants and was presented as part of contributed surplus.

As part of the Financing, Osisko acquired 43,000,000 units, which combined with its previous holding now holds 15.2% of the issued and outstanding common shares of the Company. Greenstone Resources II LP ("Greenstone") acquired 80,700,000 units and OMF Fund II (H) LP, a subsidiary of Orion Mine Finance ("Orion"), acquired 67,250,000 units resulting in Greenstone and Orion holding respectively 17.5% and 14.6% of the issued and outstanding common shares of the Company.

Greenstone and Orion each received participation rights to maintain their equity ownership level in future equity financings. Greenstone also received nomination rights for the sale of Highland's production pro-rata to its shareholding, and Orion entered into an offtake agreement with the Company entitling Orion to purchase 15% of all concentrates to be produced at the Copperwood Project. Orion also received a right of first refusal on any debt financing for the Copperwood project until September 17, 2018, excluding any royalty or stream financings. Osisko continues to have the right of first refusal on any other debt financing entered into by the Company.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

6. SHARE CAPITAL AND WARRANTS (continued)

As part of the Financing, the Company paid finders' fees totaling \$948,129 and granted 1,000,000 compensation warrants exercisable into 1,000,000 common shares at an exercise price of \$0.15 per share expiring on March 17, 2020. The fair value of the compensation warrants, estimated at \$113,562 and presented as share issue expenses, was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.75%, an expected life of three years, an annualized volatility of 100% and a dividend rate of 0%. The Company also incurred other share issue expenses of \$117,082.

On December 12, 2016, the Company settled an outstanding indebtedness in the amount of \$494,986 owing to Laurentian Mountains Investments Limited, a company owned by David Fennell, the Company's chairman, by issuing 4,949,857 common shares and 2,474,928 Warrants (the "Debt Settlement"). Each Warrant entitles the holder to purchase one common share of the Company for a period of 12 months from the closing date at an exercise price of \$0.15 to acquire one common share. The amount of the Debt Settlement was 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 Debt Settlement and the value of the Warrants was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.69%, an expected life of the Warrants of one year, an annualized volatility of 89% and a dividend rate of 0%. An amount of \$49,619 was allocated to such Warrants and was presented as part of contributed surplus.

The underlying expected volatility described above was determined by reference to historical data of the Company's share price over the expected life of the warrants.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

6. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

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

Grant date	Number of warrants June 30, 2016	Granted	Expired	Number of warrants March 31, 2017	Price per share \$	Expiry Date
May 2012 (1)	41,250,000	-	(41,250,000)	-	-	-
March 11, 2015 (2)	12,275,020	-	(12,275,020)	-	-	-
March 20, 2015 (2)	1,680,000	-	(1,680,000)	-	-	-
March 27, 2015 (2)	1,250,353	-	(1,250,353)	-	-	-
November 30, 2016	-	15,140,000	-	15,140,000	0.15	Nov 30, 2017
December 12, 2016	-	2,474,928	-	2,474,928	0.15	Dec 12, 2017
February 22, 2017	-	9,574,545	-	9,574,545	0.15	Feb 22, 2018
March 17, 2017	-	76,730,714	-	76,730,714	0.15	Mar 17, 2018
March 17, 2017	-	1,000,000	-	1,000,000	0.15	Mar 17, 2020
March 24, 2017	-	48,669,575	-	48,669,575	0.15	Mar 24, 2018
	56,455,373	153,589,762	(56,455,373)	153,589,762	0.15	
Average price	0.68	0.15	(0.68)	0.15		

(1) These share purchase warrants expired unexercised in March 2017.

(2) These share purchase warrants expired unexercised in September 2016.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

7. STOCK OPTIONS

The following table sets out the activity in stock options:

	Nine months ended March 31, 2017	
	Number	Weighted average exercise price (\$)
Options, beginning of period	7,522,000	0.48
Expired	(67,000)	(0.43)
Options, end of period	7,455,000	0.48

The following table reflects the stock options issued and outstanding at March 31, 2017:

Issue date	Number of options	Exercise price \$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options \$
July 6, 2012	400,000	0.50	0.3	400,000	0.50
November 5, 2012	3,740,000	0.60	0.6	3,740,000	0.60
August 1, 2014	1,400,000	0.50	2.3	1,400,000	0.50
April 21, 2015	1,715,000	0.25	3.1	640,000	0.25
November 20, 2015	200,000	0.13	3.6	133,333	0.13
	7,455,000	0.48	1.6	6,313,333	0.53

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Administrative and general	305,486	184,178	662,773	474,416
Office	42,112	54,035	110,018	176,493
Professional fees	44,027	35,415	137,522	238,516
Investor relations and travel	43,109	3,183	50,964	20,966
Reporting issuer costs	19,196	11,645	25,671	16,848
Share-based compensation	4,129	12,386	15,418	40,710
Depreciation and amortization	176	13,493	15,156	26,708
	458,235	314,335	1,017,522	994,657

9. 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:

	March 31, 2017		
	Canada	USA	Total
	\$	\$	\$
Current assets	26,281,243	33,358	26,314,601
Capital assets	1,288	57,854	59,142
Exploration and evaluation assets	-	58,647,196	58,647,196
Total assets	26,282,531	58,738,408	85,020,939

	June 30, 2016		
	Canada	USA	Total
	\$	\$	\$
Current assets	182,915	25,316	208,231
Capital assets	15,469	99,521	114,990
Exploration and evaluation assets	-	53,827,188	53,827,188
Total assets	198,384	53,952,025	54,150,409

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2017 (unaudited - in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

During the three and nine months ended March 31, 2017, the Company incurred administration expenses of \$29,499 and \$71,499, respectively from Reunion Gold Corporation, a related party by virtue of common management (\$38,142 and \$224,158 during the three and nine months ended March 31, 2016, respectively).

During the three and nine months ended March 31, 2017, the Company recovered amounts of \$46,815 and \$110,163, respectively for the provision of management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation (\$36,037 during the three and nine months ended March 31, 2016). The services are provided at cost.

Loan from a director

David Fennell, the Company's chairman advanced funds to the Company of \$483,489 between August 1, 2016 and November 30, 2016, through a company wholly-owned by David Fennell, to ensure that critical payments to maintain the Company in good standing were being made. These advances bore interest at the rate of 1% per month on the principal amount. On December 12, 2016, the Company settled the amount of the debt due to Mr. Fennell, by issuing common shares and share purchase warrants (Note 6).

These transactions 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 President and CEO, the Executive Vice-President and the CFO, is as follows:

	Three months ended March 31,		Nine months ended March 31,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries, benefits and director fees	143,955	122,418	384,278	203,315
Consulting fees	108,159	72,207	251,403	282,468
Share-based compensation	4,389	13,167	16,209	43,083
	256,503	207,792	651,890	528,866

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017**

The following interim management's discussion and analysis – quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three months ended March 31, 2017 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended June 30, 2016 ("**Annual MD&A**").

This Interim MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended March 31, 2017 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2016 and 2015 (the "**Annual Financial Statements**"), and the Company's Annual MD&A, including the section describing risks and uncertainties.

The effective date of this Interim MD&A is May 15, 2017.

All financial results presented in this Interim 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 projects located in Michigan's Upper Peninsula region. Highland's financial year-end is June 30 and its common shares trade on the TSX Venture Exchange ("TSXV") under the symbol HI.

The Company has assembled a number of advanced-stage copper projects, including **Copperwood**, a feasibility stage project, **White Pine** (subject to final closing of the acquisition from Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd.), and **Keweenaw**, which includes the 543S deposit (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC).

FINANCING

On March 24, 2017, the Company completed the fourth and final tranche of its previously announced private placement, raising a total of \$30 million by issuing 300 million units (the "Units") at \$0.10 per Unit (the "Offering"). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable to acquire one common share at \$0.15 for a period of 12 months from the respective closing date of each tranche of the Offering. Tranches 1, 2 and 3 closed on November 30, 2016, February 22, 2017 and March 17, 2017, respectively. In connection with the Offering, the Company paid finders' fees of \$948,129 and issued 1 million compensation warrants allowing the holder to acquire 1 million common shares of the Company at a price of \$0.10 until March 17, 2020.

As part of the Offering, Osisko Gold Royalties Ltd. ("Osisko") acquired a total of 43,000,000 Units, which combined with its previous holding now holds 15.2% of the issued and outstanding common shares in Highland. Greenstone Resources II LP ("Greenstone") acquired 80,700,000 Units and OMF Fund II (H) LP, a subsidiary of Orion Mine Finance ("Orion"), acquired 67,250,000 Units resulting in Greenstone and Orion holding respectively 17.5% and 14.6% of Highland's issued and outstanding common shares. As required by the TSXV, Highland obtained the written consent from holders of greater than 50% of the Company's common shares in support of Greenstone and Orion becoming control persons (on a partially diluted basis), as defined in the TSXV Policies.

Greenstone and Orion received participation rights to maintain their equity ownership level in future equity financings and a right to nominate a representative on a project steering committee. Greenstone also received nomination rights for the sale of Highland's production pro-rata to its shareholding, and Orion entered into an offtake agreement with the Company entitling Orion to purchase 15% of all concentrates to be produced at the Copperwood project. Orion also received a right of first refusal on any debt financing for the Copperwood project until September 17, 2018, excluding any royalty or stream financings. Osisko continues to have a right of first refusal on any other future debt financing.

The Company intends to use the proceeds from the Offering to update the feasibility study on the Copperwood project, to complete the acquisition of the White Pine project and for general corporate purposes.

At May 15, 2017, the Company has 459,148,153 common shares and 153,589,762 share purchase warrants issued and outstanding.

DRILLING PROGRAM AT COPPERWOOD

In February 2017, the Company commenced a 44-hole, 9,198 meters core drilling program at the Copperwood Project, designed to upgrade the current inferred resources at the eastern section of the deposit, obtain metallurgical samples for analysis and carry out geotechnical studies to refine the mining plan.

On April 6, 2017, drilling at the Copperwood Project was suspended due to an early onset of thawing and deteriorating ground conditions alongside County Road 519 in Gogebic County. At this site, drilling caused ground erosion, which is being restored by the Company supported by reputable environmental consultants. At the time that drilling was suspended, 22 drill holes and 4,553 meters had been completed, with one hole temporarily abandoned. All of the drilling at the Copperwood "main zone" at the western section of the deposit was completed. Assay samples for the available drill holes have been sent to Activation Laboratories in Thunder Bay, Ontario, for analysis. All samples for geotechnical testing have also been shipped to specialized laboratories. The Company expects to complete the suspended drilling program once ground conditions improve and it receives all required permits from the Michigan Department of Environmental Quality ("MDEQ"). Assay results will be released in due course.

COPPERWOOD FEASIBILITY STUDY

Soon after the completion of the Offering described above, the Company engaged G Mining Services Inc. as lead consultant for the preparation of an update to the Feasibility Study ("FS Update") on the Copperwood Project that had been completed in 2012. Other professional services firms will be engaged over time for their expertise in specified areas.

The objectives of the FS Update are to incorporate additional resources and reserves not included in the 2012 Copperwood feasibility study prepared by the previous owner, to explore alternative mining methods to determine the method that will generate the most value for the project (including the Caterpillar continuous mining RockStraight System), to update the infrastructure engineering and to produce an optimized flowsheet to maximize ore recoveries.

Qualified Person

The technical information in this MD&A has been reviewed and approved by Carlos Bertoni, P. Geo, Executive Vice President, Project Development of Highland, and a qualified person under Canadian National Instrument 43-101.

MANAGEMENT APPOINTMENTS

Denis Miville-Deschênes, as President and CEO

On February 22, 2017, the Company announced that Mr. Denis Miville-Deschênes had joined Highland as President and CEO and as a member of the Board of Directors. Mr. Miville-Deschênes is a mining engineer with over 30 years of experience in the design, development and construction of mines as well as closure and rehabilitation of sites. During his career which started with Falconbridge Copper and then with Cambior and lamgold, Mr. Miville-Deschênes has worked on numerous technical studies and fourteen underground or open pit mining projects in North America, South America and Africa. He is recognized for his ability to establish dynamic work teams and operating at high standards.

Mr. David Fennell who has been acting as President and CEO on an interim basis remains Chairman of the Company.

David Charles, as Manager of Investor Relations and Business Development

On February 22, 2017, the Company also announced the appointment of Mr. David Charles as Manager, Investor Relations and Business Development. David Charles brings close to 30 years of experience in the financial services industry in Canada primarily as a senior mining equity analyst. Mr. Charles holds a bachelor's degree in geology from Trinity College Dublin, an MSc. (applied) in Mineral Exploration from McGill University and is a CFA charter holder.

OUTLOOK

With the completion of the Offering described in the *Financing* section, the Company is now fully financed to update the Copperwood Feasibility Study, which is the Company's main priority, expected to be completed by the end of June 2018. The Company also aims to finalize the acquisition of the White Pine Project as soon as is practicable and is evaluating other opportunities in Michigan.

OPERATING ACTIVITIES

In accordance with its accounting policy, the Company capitalized to exploration and evaluation assets an amount of cash-related expenses of \$1,844,411 during the three months ended March 31, 2017 (\$401,094 during the comparative period in 2016), including \$1,169,898 of direct drilling and site preparation expenses at the Copperwood Project, labour costs of \$252,121 and other general expenses of \$422,392.

During the three months ended March 31, 2017, the Company incurred a net loss of \$843,347 (nil per share) compared to a net loss of \$373,666 (nil per share) during the comparative period in 2016. Significant items included management and administration expenses of \$458,235 (\$314,335 during the comparative period in 2016), business development expenses of \$158,324 (\$48,325 in 2016) and an unrealized loss on foreign exchange of \$232,691 on the conversion of the Company's cash position held in US dollars at March 31, 2017 (an unrealized foreign exchange loss of \$7,796 in 2016).

Management and administration expenses increased during the three months ended March 31, 2017 due mostly to higher wages and fees to consultants following the hiring of senior corporate staff (wages and fees of \$305,486 during the current period compared to \$184,178 in 2016) and higher investor relations and travel expenses for attending key mining conferences and other investor relations events (\$43,109 during the current period compared to \$3,183 in 2016). Other management and administration expenses consisted of professional fees of \$44,027 (\$35,415 in 2016), office expenses of \$42,112 (\$54,035 in 2016), reporting issuer costs of \$19,196 (\$11,645 in 2016), and share-based compensation of \$4,129 (\$12,386 in 2015).

LIQUIDITIES AND CAPITAL RESOURCES

At March 31, 2017, the Company had a working capital of \$21,040,277, including a cash position of \$26,263,405, following the completion in March 2017 of the fourth and last tranche of the Offering, as described in the *Financing* section.

Although the Company estimates that its current working capital will be sufficient to carry-out its planned exploration and development work and to provide for management and administration expenses for the next 12 months, the Company will require additional funds to meet all existing commitments which are due after March 31, 2018 and to further pursue its exploration and development activities on all of its mineral properties. Should the Company not be successful in raising such funds, it may be required to delay, reduce the scope of, or eliminate its future exploration and development activities, and / or it may have to sell some or all of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

OTHER RELATED PARTY TRANSACTIONS

During the three and nine months ended March 31, 2017, the Company incurred administration expenses of \$29,499 and \$71,499, respectively (\$38,142 and \$224,158 during the comparative periods in 2016), mainly for the use of office space and telecommunication services provided by Reunion Gold Corporation, a related party by virtue of common management. During the three and nine months ended March 31, 2017, the Company recovered an amount of \$46,815 and \$110,163 for the provision of management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation (\$36,037 during the three and nine months ended March 31, 2016).

The remuneration awarded to key management personnel, including directors, the president and CEO, the executive vice-president and the CFO, during the three and nine months ended March 31, 2017 totaled \$256,503 and \$651,890, respectively (\$207,792 and \$528,866 in 2016).

RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties due to the nature of its business, its present stage of development and the nature of mineral exploration and development generally. Risks specific to the Company include but are not limited to: risks of obtaining all necessary permits and regulatory approvals required to conduct its planned activities; risks of being unable to meet the final closing conditions of the acquisition of the White Pine Project on terms acceptable to the Company; risks related to environmental liabilities (pre-existing and those that may be caused by the Company's activities); risks caused by unusual or severe weather conditions which may negatively impact the Company's planned activities; risks relating to the requirement for additional funds to conduct exploration and development activities on its projects; risks that even if an economic deposit of minerals is located, it may not be commercially mined; and risks that copper price fluctuation and market volatility may have a negative impact on the Company's common shares, on its financial results and on its development activities. Certain risks are described in this Interim MD&A. For additional risk factors, refer to the risks and uncertainties described in the Annual MD&A. Investment in the Company's securities should be considered as highly speculative.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This Interim MD&A may contain "forward-looking information", within the meaning of Canadian securities laws, such as statements that describe the Company's future plans, objectives or goals. Specifically, this Interim MD&A includes, but is not limited to, forward-looking information regarding: the timing and results of the drilling program, the timing and results of the update of the Copperwood feasibility study, and the completion of the acquisition of the White Pine Project. There can be no assurance that such forward looking information will occur for various reasons including those risks described under Risks and Uncertainties above. 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 statements whether as a result of new information or future events or otherwise, except as may be required by law.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's website (www.highlandcopper.com).