CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3rd Quarter ended March 31, 2014

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
(Unaudited - in Canadian dollars)

	March 31, 2014	June 30, 2013
	$	$
ASSETS		
Current		
Cash	**2,890,367**	6,240,228
Sales taxes receivable	**90,399**	74,498
Prepaid expenses	**40,906**	54,723
	3,021,672	6,369,449
Non-current		
Deferred acquisition expenses (Note 3)	**393,708**	-
Capital assets (Note 4)	**389,884**	486,770
Exploration and evaluation assets (Note 5)	**15,269,164**	10,396,553
TOTAL ASSETS	**19,074,428**	17,252,772
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,666,190**	407,745
TOTAL LIABILITIES	**1,666,190**	407,745
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**21,793,609**	19,801,726
Contributed surplus	**4,128,995**	3,609,412
Deficit	**(9,603,769)**	(7,026,909)
Cumulative translation adjustment	**1,089,403**	460,798
TOTAL EQUITY	**17,408,238**	16,845,027
TOTAL LIABILITIES AND EQUITY	**19,074,428**	17,252,772

Going concern (Note 1)

Events after the reporting date (Note 12)

The accompanying notes form an integral part of these unaudited condensed interim 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.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - in Canadian dollars)

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013 (Note1)
	$	$	**$**	$
Expenses and other items				
Management and administration (Note 8)	**340,379**	403,725	**1,195,817**	2,282,404
Pre-exploration (Note 5)	**856,100**	-	**1,458,117**	-
Gain on foreign exchange	**(71,478)**	(157,949)	**(71,713)**	(119,171)
Finance income	**(1,279)**	(11,364)	**(5,361)**	(79,897)
Net loss for the period	**(1,123,722)**	(234,412)	**(2,576,860)**	(2,083,336)
Other comprehensive income				
Item that will not be subsequently reclassified to income				
Foreign currency translation adjustment	**478,749**	90,341	**628,605**	139,423
Total comprehensive loss for the period	**(644,973)**	(144,071)	**(1,948,255)**	(1,943,913)
Basic and diluted loss per share	**(0.02)**	(0.00)	**(0.05)**	(0.04)
Weighted average number of shares - basic and diluted	**52,986,585**	52,277,878	**52,526,723**	51,996,145

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
(Unaudited - in Canadian dollars)

	Number of issued and outstanding common shares	Share capital	Contributed surplus	Deficit	Cumulative translation adjustment	Shareholders' equity
		$	$	$	$	$
Balance at June 30, 2013	**52,277,878**	**19,801,726**	**3,609,412**	**(7,026,909)**	**460,798**	**16,845,027**
Shares issued pursuant to a property option agreement (Note 5)	**66,667**	**10,000**	**-**	**-**	**-**	**10,000**
Private placement (Note 6)	**4,127,400**	**2,063,700**	**-**	**-**	**-**	**2,063,700**
Share issue expenses	**-**	**(81,817)**	**-**	**-**	**-**	**(81,817)**
Share-based remuneration	**-**	**-**	**519,583**	**-**	**-**	**519,583**
Transaction with owners	**4,194,067**	**1,991,883**	**519,583**	**-**	**-**	**2,511,466**
Loss for the period	**-**	**-**	**-**	**(2,576,860)**	**-**	**(2,576,860)**
Other comprehensive income						
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**628,605**	**628,605**
Balance at March 31, 2014	**56,471,945**	**21,793,609**	**4,128,995**	**(9,603,769)**	**1,089,403**	**17,408,238**
Balance at May 31, 2012 (Note 1)	51,383,212	19,312,032	2,162,095	(4,719,574)	5,050	16,759,603
Exercise of warrants	828,000	464,112	(50,112)	-	-	414,000
Share issue expenses	-	(7,751)	-	-	-	(7,751)
Shares issued pursuant to a property option agreement	66,666	33,333	-	-	-	33,333
Share-based remuneration	-	-	1,300,899	-	-	1,300,899
Transaction with owners	894,666	489,694	1,250,787	-	-	1,740,481
Loss for the period	-	-	-	(2,083,336)	-	(2,083,336)
Other comprehensive income						
Foreign currency translation adjustment	-	-	-	-	139,423	139,423
Balance at March 31, 2013	52,277,878	19,801,726	3,412,882	(6,802,910)	144,473	16,556,171

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
(Unaudited - in Canadian dollars)

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013 (Note 1)
	$	$	**$**	$
Operating activities				
Net loss for the period	(1,123,722)	(234,412)	(2,576,860)	(2,083,336)
Adjustments				
Share-based remuneration	74,327	239,448	436,050	1,038,496
Depreciation and amortization	2,393	2,081	7,300	2,081
Unrealized gain on foreign exchange	(71,478)	-	(71,713)	-
Finance income accrued	(1,279)	(11,364)	(5,361)	(79,885)
Finance income received	671	11,364	5,361	79,885
Changes in working capital items				
Sales taxes receivable	(25,555)	(47,924)	(15,810)	(97,098)
Prepaid expenses	2,392	(33,051)	14,094	(18,961)
Accounts payable and accrued liabilities	560,264	7,444	350,385	(24,063)
	(581,987)	(66,414)	(1,856,554)	(1,182,881)
Investing activities				
Acquisition of capital assets	(71,572)	(30,545)	(110,509)	(562,529)
Disposal of capital assets	8,963	-	8,963	-
Additions to exploration and evaluation assets	(803,785)	(2,026,527)	(3,032,018)	(6,781,787)
Additions to deferred acquisition expenses	(305,259)	-	(393,708)	-
	(1,171,653)	(2,057,072)	(3,527,272)	(7,344,316)
Financing activities				
Issue of shares	2,063,700	-	2,063,700	-
Exercise of warrants and stock options	-	-	-	414,000
Share issue expenses	(81,817)	-	(81,817)	(7,751)
	1,981,883	-	1,981,883	406,249
Effect of exchange rate changes on cash held in foreign currency	54,356	(96,615)	52,082	(32,971)
Net change in cash	282,599	(2,220,101)	(3,349,861)	(8,153,919)
Cash, beginning of period	2,607,768	10,035,827	6,240,228	15,969,645
Cash, end of period	2,890,367	7,815,726	2,890,367	7,815,726
Supplemental cash flow information				
Current liabilities related to exploration and evaluation assets	846,108	177,730	960,006	929,008
Depreciation included in exploration and evaluation assets	74,164	61,561	211,378	170,056
Share-based remuneration included in exploration and evaluation assets	17,394	54,548	83,533	262,403
Shares issued included in exploration and evaluation assets	-	-	10,000	33,333

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

1. GENERAL INFORMATION AND GOING CONCERN

Highland Copper Company Inc. ("Highland") is a Canadian-based company. Highland and its subsidiaries (together the "Company") are engaged in the acquisition, exploration and development of mineral properties in the state of Michigan, USA. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. All financial results in these 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 August 23, 2012, the Board of Directors of Highland approved the change of the Company's year-end from May 31 to June 30. In accordance with the relevant legislation, these condensed interim consolidated financial statements are for the three and nine-month periods ended and as at March 31, 2014 and the comparative statements of comprehensive loss and cash flows are for the three and ten-month periods ended March 31, 2013.

The Board of Directors approved these consolidated financial statements on May 28, 2014.

Going concern

The Company is at the exploration stage and as is common with many exploration companies, it raises funds on the equity market to conduct its activities. The Company has incurred a loss in the current and prior periods, with a net loss of $2,576,860 during the nine-month period ended March 31, 2014 and an accumulated deficit of $9,603,769 at March 31, 2014. The Company has a working capital of $1,355,482 at March 31, 2014 but requires additional funds to complete the acquisition of the Copperwood project (which terms are described in Note 3), to pursue exploration and development work on its mineral projects and to provide for management and administration expenses for at least the next 12 months. To this effect, the Company had announced on February 18, 2014 an increase to the size of its previously announced non-brokered private placement of common shares from $25 million to up to $55 million. On March 17 and May 13, 2014, the Company closed respectively a first and second tranches of the private placement and issued 4,927,400 common shares for total gross proceeds of $2,463,700. However, there can be no assurance that the Company will be successful in its efforts to complete the private placement, when needed, on terms satisfactory to the Company. The Company is also evaluating other financing alternatives. If the Company is not successful in raising additional funds by way of private placement or if alternative financing options are not available, the Company may not be able to complete the acquisition of the Copperwood project and may be required to pay a termination fee of US$500,000, it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities and it may be unable to meet the earn-in requirements under the Venture Agreement with BRP. These uncertainties cast doubt regarding the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect any adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these condensed interim consolidated financial statements, adjustments to the carrying values of assets and liabilities and statement of financial position classification, which could be material, may be necessary.

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. 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 13-month period ended June 30, 2013 and 12-month period ended May 31, 2012 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements follow the same accounting policies as the Company's most recent annual financial statements except for the adoption of new standards, interpretations and amendments which came into effect on January 1, 2013 (described below) and applied by the Company on July 1, 2013.

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, 2013. The following new standards, amendments and interpretations have been adopted by the Company in preparing these condensed interim consolidated financial statements but have had no impact on its financial information.

- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities;
- IFRS 13, Fair Value Measurement;
- Amendments to IAS 1, Presentation of Financial Statements.

Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual results could differ significantly from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets and share-based payments. The most significant judgement relates to the preparation of these condensed interim consolidated financial statements on a going concern basis.

3. AGREEMENTS TO ACQUIRE MINERAL PROPERTIES

Agreement to acquire the White Pine Copper Project, Michigan, USA

On March 5, 2014, the Company entered into a definitive asset purchase agreement (“APA”) with Copper Range Company (“CRC”), a subsidiary of First Quantum Minerals Ltd., a TSX-listed company, to acquire all of CRC’s rights, title and interest in the White Pine copper project (“White Pine”) located in the Upper Peninsula of the state of Michigan, USA. Under the APA, the Company agreed to issue to CRC, at the interim closing, 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 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 final closing of the acquisition will be completed once Highland has (i) compensated CRC for a US$2.85 million financial assurance bond associated with the remediation and closure plan of White Pine 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.

Until final closing, Highland has access to White Pine under an access agreement 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.

On May 13, 2014, the Company announced that it had completed the interim closing for the acquisition of White Pine (Note 12).

3. AGREEMENTS TO ACQUIRE MINERAL PROPERTIES (continued)

Agreement to Acquire the Copperwood Project, Michigan, USA

On February 11, 2014, the Company and Orvana Minerals Corp., a TSX-listed company (“Orvana”) entered into a share purchase agreement (“Agreement”) whereby Highland will acquire all rights, title and interest in the Copperwood Project ("Copperwood”) from Orvana through the acquisition of all of the outstanding shares of Orvana Resources US Corp. (the "Acquisition"). As consideration for the Acquisition, Highland will pay Orvana up to US$25 million in aggregate, of which US$20 million will be paid in cash upon closing of the Acquisition and US$5 million will be paid in cash or shares of Highland, at Orvana’s option, upon the occurrence of the events described below:

- US$1.25 million 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$1.25 million on the first anniversary of this payment.
- US$1.25 million if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than US$4.25/lb; and an additional 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.

Among other items, closing of the Acquisition is conditional upon the completion of a financing to fund the Acquisition and receipt of all required regulatory approvals including the approval of the TSXV. Under the Agreement, closing of the Acquisition is scheduled to occur by May 31, 2014 or such other date that the parties may agree upon. The Company could, under certain circumstances, be required to pay a termination fee of US$500,000. The Company has engaged BMO Capital Markets (“BMO”) as its financial advisor and, upon completion of the Acquisition, the Company will pay BMO a fee of $1 million in cash.

Deferred acquisition expenses

During the nine-month period ended March 31, 2014, the Company incurred total expenses of $393,708 related to the acquisition of White Pine and Copperwood. These expenses, which consist mostly of legal fees and consulting fees from technical advisors were deferred and presented separately on the statements of financial position.

March 31, 2014 (Unaudited - in Canadian dollars)

4. CAPITAL ASSETS

Capital assets subject to depreciation and amortization are presented below. These assets are located in Michigan, USA.

	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	26,704	23,316	1,044	59,445	-	110,509
Disposals	-	-	-	(13,084)	-	(13,084)
Effect of foreign exchange	2,938	10,050	6,369	18,104	3,569	41,030
Balance at March 31, 2014	**84,016**	**211,240**	**128,946**	**386,048**	**72,680**	**882,930**
Accumulated depreciation and amortization						
Balance at June 30, 2013	17,925	57,918	59,110	85,948	36,804	257,705
Depreciation and amortization	24,975	46,538	40,672	85,498	20,995	218,678
Disposals	-	-	-	(4,121)	-	(4,121)
Effect of foreign exchange	1,351	4,711	4,421	7,622	2,679	20,784
Balance at March 31, 2014	**44,251**	**109,167**	**104,203**	**174,947**	**60,478**	**493,046**
Carrying amounts						
Balance at June 30, 2013	36,449	119,956	62,423	235,635	32,307	486,770
Balance at March 31, 2014	**39,765**	**102,073**	**24,743**	**211,101**	**12,202**	**389,884**

March 31, 2014 (Unaudited - in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	Keweenaw Copper	Leased Properties	White Pine	Total
	$	$	$	$
Balance at June 30, 2013	10,062,930	333,623	-	10,396,553
Property payments in shares	10,000	-	-	10,000
Property payments in cash	260,625	41,575	-	302,200
Drilling and assaying	758,894	118,460	792,815	1,670,169
Site preparation and road building	26,028	10,241	34,623	70,892
Labour	580,303	60,413	68,211	708,927
Consulting	276,390	34,243	194,703	505,336
Studies	216,258	-	26,961	243,219
Other exploration expenses	369,918	29,740	91,623	491,281
Depreciation and amortization	211,378	-	-	211,378
Share-based remuneration	83,533	-	-	83,533
Effect of foreign exchange	553,192	28,144	(5,660)	575,676
	3,346,519	322,816	1,203,276	4,872,611
Balance at March 31, 2014	13,409,449	656,439	1,203,276	15,269,164

Keweenaw Copper Project

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 Copper Project by spending US$11,500,000 in exploration and development work and providing a feasibility study by October 26, 2015. At March 31, 2014, a cumulative amount of US$12,851,235 in eligible expenditures had been spent on the Keweenaw Copper Project. Upon satisfying all conditions 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 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%.

Under the terms of the Venture Agreement, the Company made a final cash payment of $260,625 (US$250,000) and issued a total of 66,667 common shares to BRP on October 17, 2013, valued at $0.15 per share, being the closing price of the shares of the Company on October 16, 2013.

5. EXPLORATION AND EVALUATION ASSETS (continued)

Leased Properties

The Company has entered into several lease agreements for the exploration and development of other mineral properties located in the Upper Peninsula of the State of Michigan. The leases have a primary term of 10 years and may be extended for an additional 10 years under certain conditions. The Company will pay an annual rent to the lessor. Under the terms of the lease agreements, payments during the current period amounted to $41,575 (US$39,000), with annual payments thereafter increasing by US$5,000 per year. In the event that a positive feasibility study is prepared and that production is achieved on any part of some of the leased properties, milestone payments and sliding scale net smelter return royalty will apply. The Company may terminate any of the lease agreements at any time subject to certain conditions. These leased properties are not part of the Venture Agreement with BRP.

White Pine Copper Project

On March 5, 2014, the Company entered into an asset purchase agreement with CRC related to the White Pine copper project, as described in Note 3. On March 5, 2014, the Company also entered into an access agreement with CRC whereby CRC has granted to Highland the right to access the White Pine property to conduct exploration and other activities associated with the potential development of a new copper mine at White Pine. In accordance with its accounting policy on exploration and evaluation assets, the Company has deferred exploration and evaluation expenses related to the White Pine property beginning on March 5, 2014.

March 31, 2014 (Unaudited - in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

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. During the 3rd Quarter and nine-month period ended March 31, 2014, the Company incurred pre-exploration expenses of $856,100 and $1,458,117, respectively (nil during the comparative periods in 2013) for such activities, including preparation work related to White Pine (work performed before March 5, 2014), Copperwood and other properties. Costs are detailed as follows:

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013 (Note 1)
	$	$	**$**	$
Site preparation	**64,653**	-	**66,379**	-
Drilling and assaying	**34,191**	-	**119,499**	-
Labour	**124,400**	-	**211,281**	-
Consulting	**376,948**	-	**711,211**	-
Studies	**73,273**	-	**92,520**	-
Others	**182,635**	-	**257,227**	-
	856,100	-	**1,458,117**	-

March 31, 2014 (Unaudited - in Canadian dollars)

6. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At March 31, 2014, the Company had 56,471,945 issued and outstanding common shares.

Issuance of shares

On March 17, 2014 the Company completed the first tranche of a previously announced non-brokered private placement of its common shares, by issuing a total of 4,127,400 common shares at $0.50 per share for gross proceeds of $2,063,700. Share issue expenses of $81,817 were incurred, including finder's fees of $70,685.

Share purchase warrants

There was no activity in share purchase warrants during the nine-month period ended March 31, 2014. The following table reflects the number of issued and outstanding share purchase warrants at March 31, 2014:

	Number of warrants at March 31, 2014	Price	Expiry date (Note 12)
		$	
Private placement - May 2012	**11,995,850**	0.75	May 16, 2014
Private placement - May 2012	**26,478,875**	0.75	May 28, 2014
Private placement - May 2012	**2,775,275**	0.75	May 30, 2014
	41,250,000	0.75	

March 31, 2014 (Unaudited - in Canadian dollars)

7. STOCK OPTIONS

There was no activity in stock options during the nine-month period ended March 31, 2014. The following table reflects the stock options issued and outstanding at March 31, 2014:

Issue date	Number of options	Exercise price	Remaining contractual life	Number of options exercisable	Exercise price of exercisable options
		$	(years)		$
September 22, 2006	2,000	1.00	2.5	2,000	1.00
August 18, 2009	20,000	0.78	0.4	20,000	0.78
October 8, 2009	20,000	0.93	0.6	20,000	0.93
April 28, 2010	20,000	0.50	1.1	20,000	0.50
July 6, 2012	400,000	0.50	3.3	266,667	0.50
November 5, 2012	3,980,000	0.60	3.6	2,653,333	0.60
	4,442,000	0.59	3.5	2,982,000	0.59

At March 31, 2014, an amount of $213,060 of cost remains to be amortized in future periods (until November 2014) related to the grant of stock options.

8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013 (Note 1)
	$	$	**$**	$
Administrative and general	**139,732**	83,124	**346,480**	907,828
Office	**29,917**	25,608	**87,747**	90,372
Professional fees	**13,422**	5,497	**72,524**	60,372
Investor relations and travel	**71,447**	31,705	**229,909**	139,635
Reporting issuer costs	**9,141**	16,262	**15,807**	43,620
	263,659	162,196	**752,467**	1,241,827
Share-based remuneration	**74,327**	239,448	**436,050**	1,038,496
Depreciation and amortization	**2,393**	2,081	**7,300**	2,081
	340,379	403,725	**1,195,817**	2,282,404

March 31, 2014 (Unaudited - in Canadian dollars)

9. RELATED PARTY TRANSACTIONS

During the 3rd quarter and the nine-month period ended March 31, 2014, the Company incurred administration expenses of $65,682 and $158,232 from Reunion Gold Corporation, a related party by virtue of common management and directors ($44,904 and $162,070 during the 3rd quarter and the ten-month period ended March 31, 2013). During the 3rd quarter and the nine-month period ended March 31, 2014, the Company incurred administration expenses of nil from a company controlled by a director and a former officer of the Company (nil and $47,134 during the 3rd quarter and the ten-month period ended March 31, 2013). 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 interim President and CEO, the CFO and the Vice President, Exploration, is as follows:

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013 (Note 1)
	$	$	**$**	$
Salaries, benefits and director fees	**21,599**	15,000	**66,220**	618,246
Consulting fees	**116,891**	83,181	**315,929**	272,655
Share-based remuneration	**68,346**	220,182	**408,049**	954,937
	206,836	318,363	**790,198**	1,845,838

10. COMMITMENTS

In addition to the commitments related to the exploration and evaluation assets (Note 5), the Company has entered into lease agreements expiring at various dates until November 2014 which calls for minimum lease payments of $30,790 for the rental of office and warehousing space. Minimum lease payments are $16,380 in 2014 and $14,410 in 2015.

11. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties. Capital assets and exploration and evaluation assets held at March 31, 2014, which total $15,659,048, are located in Michigan, USA (exploration and evaluation assets of $10,883,323 at June 30, 2013 are located in Michigan, USA).

12. EVENTS AFTER THE REPORTING DATE

Interim closing of the White Pine Copper Project

On May 13, 2014, the Company completed the interim closing for the acquisition of the White Pine Copper Project, located in Michigan, U.S.A. At the interim closing, the Company issued to CRC 3,000,000 of its common shares. The additional future consideration payments as well as conditions to complete the final close, anticipated to occur by December 31, 2015, are fully described in Note 3.

Extension of expiry date of share purchase warrants

On May 13, 2014, the Company announced that the TSXV had accepted the Company's request to extend the expiry date of the 41,250,000 share purchase warrants originally issued for a two-year term in May 2012 as part of a non-brokered private placement of the Company's securities. The new expiry date of the share purchase warrants is March 31, 2015. The exercise price of $0.75 remains unchanged.

2nd tranche of Private Placement

On May 13, 2014, the Company completed a second tranche of the previously announced non-brokered private placement of its common shares by issuing 800,000 common shares at $0.50 per share for gross proceeds of $400,000.

HIGHLAND Copper Company Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

3rd Quarter ended March 31, 2014

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 3RD QUARTER ENDED MARCH 31, 2014

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 May 28, 2014, covers the 3rd quarter ended March 31, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the 3rd quarter ended March 31, 2014 (the "March 31, 2014 condensed interim consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended June 30, 2013, including the description of risks and uncertainties, and the audited consolidated financial statements for the 13-month period ended June 30, 2013 and the 12-month period ended May 31, 2012. 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 in the state of Michigan, USA. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. At May 28, 2014, the Company had 60,271,945 common shares issued and outstanding.

In May 2014, the Company completed the interim closing for the acquisition of the White Pine copper project (the "White Pine Project") and in February 2014, the Company entered into an agreement to acquire 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 prospect and other target areas. All projects are located in the Upper Peninsula of the state of Michigan, USA.

HIGHLIGHTS FOR THE QUARTER

- On February 11, 2014, the Company entered into an agreement with Orvana Minerals Corp., a TSX-listed company ("Orvana"), to acquire the Copperwood Project through the acquisition of all of the outstanding shares of Orvana Resources US Corp. ("Orvana US") for a consideration of up to US$25 million in aggregate, of which US$20 million would be paid in cash upon closing of the acquisition;
- On March 5, 2014, the Company entered into a definitive asset purchase agreement with Copper Range Company ("CRC") to acquire all of CRC'S rights, title and interest in the White Pine Project;
- On March 17, 2014, the Company completed the 1st tranche of a previously announced private placement by issuing a total of 4,127,400 common shares for gross proceeds of $2,063,700 and on May 13, 2014, the Company issued an additional 800,000 common shares for gross proceeds of $400,000;
- From mid-March to early May 2014, the Company conducted an initial 12-hole drilling program for 9,693 meters at the northeast sector of the White Pine project with the aim of confirming the quality of the historic exploration data and reducing the spacing of the historic drill holes. Results from this initial drilling program should be released by the end of June 2014;
- On May 13, 2014, the Company completed the interim closing for the acquisition of the White Pine project and issued 3,000,000 of its common shares to CRC;

- On May 13, 2014, the Company announced that the TSXV had accepted the Company's request to extend the expiry date of the 41,250,000 share purchase warrants originally issued for a two-year term in May 2012 to March 31, 2015 with the exercise price of $0.75 remaining unchanged.

AGREEMENT TO ACQUIRE THE COPPERWOOD PROJECT

On February 11, 2014, the Company and Orvana entered into a share purchase agreement whereby Highland can acquire all rights, title and interest in the Copperwood Project from Orvana through the acquisition of all of the outstanding shares of Orvana Resources US Corp. As consideration for the acquisition, Highland will have to pay Orvana up to US$25 million in aggregate, of which US$20 million will be paid in cash upon closing of the acquisition and US$5 million will be paid in cash or shares of Highland, at Orvana's option, upon the occurrence of the events described below:

- US$1.25 million 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$1.25 million on the first anniversary of this payment.
- US$1.25 million if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than US$4.25/lb; and an additional 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.

Among other items, closing of the acquisition is conditional upon the completion of a financing to fund the acquisition and receipt of all required regulatory approvals including the approval of the TSXV. Closing of the acquisition may occur by May 31, 2014 or such other date that the parties may agree upon. The Company could, under certain circumstances, be required to pay a termination fee of US$500,000.

Highland has engaged BMO Capital Markets ("BMO") as its financial advisor and, upon completion of the Copperwood acquisition, the Company will pay BMO a fee of $1 million in cash.

About Copperwood

Copperwood is a feasibility stage project. On February 25, 2011, Orvana announced an updated resource estimate for Copperwood, including the mineralization in the adjacent Copperwood satellites area. In July 2011, Orvana completed a pre-feasibility study and subsequently, on February 7, 2012, Orvana announced the results of a feasibility study for Copperwood.

The following mineral reserves and mineral resources reported by Orvana are provided as historical data only. A qualified person has not completed the work necessary to verify the quality of the historic exploration data or to classify the historical estimate as current mineral resources or mineral reserves. Highland is not treating the historical estimate as current mineral resources or mineral reserves and the historical data should not be relied upon until they have been verified.

Copperwood Project Historical Estimate of Mineral Reserves and Resources

	Copper			Silver	
	M st*	**%**	**M lbs.**	**gpt**	**M oz.**
Proven Reserves	23.1	1.46	710	3.98	2.98
Probable Reserves	7.1	1.21	142	2.44	0.46
Total Reserves	30.2	1.41	852	3.63	3.46
Indicated Resources (Copperwood satellite area)	25	1.4	771		
Inferred Resources (Copperwood satellite area)	36.1	1.3	1,033		

Source: NI 43-101 Technical Report – Copperwood S6 & Satellites: AMEC E & C Services (USA) G. Kulla & D. Thomas, January, 2011
Source: NI 43-101 Technical Report the Copperwood Project; Joseph M. Keane, P.E., Steve Milne, P.E., and David List P.E., March 21, 2012

ACQUISITION OF THE WHITE PINE COPPER PROJECT

On March 5, 2014, the Company entered into a definitive asset agreement ("APA") with CRC, a subsidiary of First Quantum Minerals Ltd., to acquire all of CRC's rights, title and interest in the White Pine Project located in the Upper Peninsula of the state of Michigan, USA. Under the APA, the Company agreed to issue to CRC, at the interim closing, 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 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. On May 13, 2014, the Company announced that it had completed the interim closing for the acquisition of the White Pine Project and issued 3,000,000 of its common shares to CRC.

The final closing of the acquisition will be completed once Highland has (i) compensated CRC for a US$2.85 million financial assurance bond associated with the remediation and closure plan of White Pine 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.

Until final closing, Highland has access to White Pine under an access agreement to perform exploration, engineering and environmental studies and other activities associated with the 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.

Overview of the White Pine Project

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. Mining ceased in 1995 due largely to depressed copper prices, although significant amounts of mineralization remained, particularly to the northeast of the mine. 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, CRC, then a subsidiary of Inmet Mining Corporation, closed the White Pine mine. An historical estimate was completed in October 1995 by the then White Pine chief geologist based on 526 diamond drill holes. The total historical estimate at that time was 118.7 million short tons averaging 20.7 pounds of copper per ton, for approximately 2.5 billion pounds of contained copper.

The resources reported herein are provided as historical data only. A qualified person has not completed the work necessary to verify the quality of the historic exploration data or to classify the historical estimate as current mineral resources or mineral reserves. The Company is not treating the historical estimate as current mineral resources or mineral reserves and the historical data should not be relied upon until they have been verified.

KEWEENAW COPPER PROJECT

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 Copper Project ("Keweenaw Project"), which includes the 543S deposit, the G2 prospect and other target areas, by spending US$11,500,000 in exploration and development work and providing a feasibility study by October 26, 2015. The Keweenaw Project covers an area of approximately 9,000 acres. At March 31, 2014, a cumulative amount of US$12,851,235 in eligible expenditures has been spent on the Keweenaw Project. Upon satisfying all conditions and exercising the option, the Company will have a 65% interest and BRP will have a 35% interest in the Keweenaw Project. In addition, 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%. Under the terms of the Venture Agreement, the Company was also required to make cash payments to BRP totaling US$750,000 and issue to BRP a total of 200,000 common shares, on or before October 26, 2013. These commitments have been fully met.

FINANCING

On February 18, 2014, following the announcement of the proposed acquisition of the Copperwood Project, the Company announced its intention to increase the size of its previously announced non-brokered private placement of common shares from $25 million to up to $55 million

On March 17, 2014 the Company completed the first tranche of the private placement of its common shares by issuing a total of 4,127,400 common shares at $0.50 per share for net proceeds of $1,981,883. On May 13, 2014, the Company completed a second tranche of the private placement by issuing 800,000 common shares at $0.50 per share for gross proceeds of $400,000. The Company may close additional tranches to fund the acquisition of the Copperwood project, and for exploration and development of the Company's mineral projects and for general corporate purposes. The Company is also evaluating other financing options.

Closing of the private placement is subject to a number of conditions including but not limited to the receipt of all required regulatory approvals and consents, including the approval of the TSXV. Shares issued pursuant to the private placement are subject to a hold period expiring four months and one day after the closing date. In connection with the private placement, the Company may pay finder's fees to qualified finders in accordance with the policies of the TSXV.

WORK CONDUCTED DURING THE 3rd QUARTER ENDED MARCH 31, 2014

Pursuant to an Access Agreement entered on March 5, 2014 between the Company and CRC, Highland conducted an initial drilling program on the north portion of the White Pine property to confirm the historic exploration data and increase the density of drill points, which currently varies from 400 meters to in excess of 1,000 meters, so that a mineral resource estimate can be done. Highland has also conducted validation re-sampling and assaying of historical drill core, collected samples for metallurgical testing, and carried out infrastructure evaluation and environmental monitoring. From mid-March to early May 2014, the Company conducted an initial 12-hole drilling program for 9,693 meters at the historical North Mine deposit, immediately adjacent to the north of the former White Pine mine to validate the historical exploration data. Results from this initial drilling program will be released in June 2014. Subject to available funds, the Company plans to continue its program with the drilling of an additional 10,850 m in another 13 holes. The Company expects to be able to release a resource estimate of this deposit in the third quarter of 2014. The Company also plans to launch a pre-feasibility study of the White Pine project during the second half of 2014, once the resource information generated by the drilling program is available.

The Company retained the services of G Mining Services to prepare a resource estimate of the 543S deposit and plans to release this information during the third quarter of 2014. SGS Laboratories in Lakefield, Ontario conducted metallurgical testing of mineralized core from this deposit and the results are under review. The Company has completed the compilation of results from the G-2 prospect exploration program and is considering future work needed.

QUALIFIED PERSON

Carlos 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 a consultant to the Company.

EXPLORATION EXPENSES

Exploration and evaluation expenditures that were deferred during the nine-month period ended March 31, 2014 were as follows:

	Keweenaw Copper	Leased properties	White Pine	Total
	$	$	$	$
Property payments in cash	260,625	41,575	-	302,200
Drilling and assaying	758,894	118,460	792,815	1,670,169
Site preparation and road building	26,028	10,241	34,623	70,892
Labour	580,303	60,413	68,211	708,927
Consulting	276,390	34,243	194,703	505,336
Studies	216,258	-	26,961	243,219
Other exploration expenses	369,918	29,740	91,623	491,281
	2,488,416	294,672	1,208,936	3,992,024
Property payments in shares	10,000	-	-	10,000
Depreciation and amortization	211,378	-	-	211,378
Share-based remuneration	83,533	-	-	83,533
Effect of foreign exchange	553,192	28,144	(5,660)	575,676
	3,346,519	322,816	1,203,276	4,872,611

In addition, during the 3rd Quarter and nine-month period ended March 31, 2014, the Company incurred exploration and evaluation expenses in the amount of $856,100 and $1,458,117, respectively (nil during the comparative periods) on properties on which the legal right to undertake exploration and evaluation activities had not yet been obtained. In accordance with the Company's accounting policies, these expenditures were charged to operations. These expenditures include mostly preparation work related to White Pine (before the legal right to undertake exploration and evaluation activities was obtained on March 5, 2014), Copperwood and other properties.

SELECTED CONSOLIDATED FINANCIAL INFORMATION (1)

The following selected financial information should be read in conjunction with the Company's March 31, 2014 condensed interim consolidated financial statements.

			December 31, 2013	June 30, 2013
			$	$
Financial position				
Cash			**2,890,367**	6,240,228
Total assets			**19,074,428**	17,252,772
Shareholders' equity			**17,408,238**	16,845,027

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013
	$	$	**$**	$
Operations				
Management and administration expenses	340,379	403,725	1,195,817	2,282,404
Pre-exploration expenses	856,100	-	1,458,117	-
Gain on foreign exchange	(71,478)	(157,949)	(71,713)	(119,171)
Finance income	(1,279)	(11,364)	(5,361)	(79,897)
Net loss for the period	(1,123,722)	(234,412)	(2,576,860)	(2,083,336)
Basic and diluted loss per share	(0.02)	(0.00)	(0.05)	(0.04)
Cash flows				
Operating activities	(581,987)	(66,414)	(1,856,554)	(1,182,881)
Investing activities	(1,171,653)	(2,057,072)	(3,527,272)	(7,344,316)
Financing activities	1,981,883	-	1,981,883	406,249

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.

(1) On August 23, 2012, the Board of Directors of Highland approved the change of the Company's year-end from May 31 to June 30. In accordance with the relevant legislation, the Company's condensed interim consolidated financial statements are for the nine-month period ending and as at March 31, 2014 and the comparative statements of comprehensive loss and cash flows are for the ten-month period ended March 31, 2013.

GOING CONCERN ASSUMPTION

The Company is at the exploration stage and as is common with many exploration companies, it raises funds on the equity market to conduct its activities. The Company has incurred a loss in the current and prior periods, with a net loss of $2,576,860 during the nine-month period ended March 31, 2014 and an accumulated deficit of $9,603,769 at March 31, 2014. The Company has a working capital of $1,355,482 at March 31, 2014 but requires additional funds to complete the acquisition of the Copperwood project (see *Agreement to Acquire the Copperwood Project* section), to pursue exploration and development work on its mineral projects and to provide for management and administration expenses for at least the next 12 months. To this effect, the Company had announced on February 18, 2014 an increase to the size of its previously announced non-brokered private placement of common shares from $25 million to up to $55 million. On March 17 and May 13, 2014, the Company closed respectively a first and second tranches of the private placement and issued 4,927,400 common shares for total gross proceeds of $2,463,700. However, there can be no assurance that the Company will be successful in its efforts to complete the private placement, when needed, on terms satisfactory to the Company. The Company is also evaluating other financing alternatives. If the Company is not successful in raising additional funds by way of private placement or if alternative financing options are not available, the Company may not be able to complete the acquisition of the Copperwood project and may be required to pay a termination fee of US$500,000, it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities and it may be unable to meet the earn-in requirements under the Venture Agreement with BRP. These uncertainties cast doubt regarding the Company's ability to continue as a going concern.

The Company's condensed interim consolidated financial statements do not reflect any adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for the Company's condensed interim consolidated financial statements, adjustments to the carrying values of assets and liabilities and statement of financial position classification, which could be material, may be necessary.

Management and administration expenses are summarized as follows:

	3rd Quarter ended March 31, 2014	3rd Quarter ended March 31, 2013	**Nine-months ended March 31, 2014**	Ten-months ended March 31, 2013
	$	$	**$**	$
Administrative and general	**139,732**	83,124	**346,480**	907,828
Office	**29,917**	25,608	**87,747**	90,372
Professional fees	**13,422**	5,497	**72,524**	60,372
Investor relations and travel	**71,447**	31,705	**229,909**	139,635
Reporting issuer costs	**9,141**	16,262	**15,807**	43,620
	263,659	162,196	**752,467**	1,241,827
Share-based remuneration	**74,327**	239,448	**436,050**	1,038,496
Depreciation and amortization	**2,393**	2,081	**7,300**	2,081
	340,379	403,725	**1,195,817**	2,282,404

Financial Review

The Company is still in the exploration phase and does not yet have revenue-generating activities. Accordingly, the Company's financial performance is largely a function of the level of exploration activities undertaken on its projects and the management and administrative expenses required to operate and carry out its exploration activities as well as other items such as foreign exchange gains or losses.

In accordance with its accounting policy, the Company deferred a total amount of $4,872,611 as exploration and evaluation assets during the nine-month period ended March 31, 2014, which detail is presented in the *Exploration expenses* section.

The Company incurred a net loss of $1,123,722 during the 3rd Quarter ended March 31, 2014 compared to a net loss of $234,412 during the 3rd Quarter ended March 31, 2013. The increased loss is mainly attributable to the pre-exploration expenses of $856,100 incurred during the current period (which mainly included preparation work related to the White Pine and the Copperwood projects) compared to nil during the comparative period in 2013. This increase was partially off-set by the decrease in management and administrative expenses. Higher administration and investor relations expenses due to increased activities were fully offset by a lower share-based remuneration expense (a share-based remuneration expense of $74,327 was charged to income during the 3rd Quarter ended March 31, 2014 compared to $239,448 during the same period ended March 31, 2013).

The Company incurred a net loss of $2,576,860 during the nine-month period ended March 31, 2014 compared to a net loss of $2,083,336 during the ten-month period ended March 31, 2013. The increased loss is mainly attributable to the pre-exploration expenses of $1,458,117 incurred during the current period (which mainly included preparation work at the White Pine and Copperwood projects) compared to nil during the comparative period in 2013. Such expenses were partially offset by lower management and administrative expenses due to signing bonuses of $587,000 paid to the Company's Executive Chairman and its Interim President and CEO during the ten-month period ended March 31, 2013 compared to nil during the current period and to lower share-based remuneration expense charged to income (a share-based remuneration expense of $436,050 was charged to income during the nine-month period ended March 31, 2014 compared to $1,038,496 during the ten-month period ended March 31, 2013).

At March 31, 2014, an amount of $213,060 remains to be amortized in future periods (until November 2014), related to the grant of stock options.

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	$	$	$
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)
June 30, 2013	4,847	(223,999)	(0.00)
March 31, 2013	11,364	(234,412)	(0.00)
December 31, 2012	21,809	(1,483,919)	(0.03)
September 30, 2012	46,724	(365,005)	(0.01)
May 31, 2012	-	(316,610)	(0.03)

Liquidity and Capital Resources

The Company's working capital at March 31, 2014 totaled $1,355,482 compared to a working capital of $5,961,704 at June 30, 2013. The decrease in working capital during the nine-month period ended March 31, 2014 is attributable to investments made on the Company's exploration and evaluation assets, including pre-exploration expenses on those properties for which the Company did not have legal right to undertake exploration and evaluation activities at the time that the expenditures were made ($5,450,141), management and administration expenses ($752,467), the acquisition of capital assets ($110,509) and expenses related to the acquisition of mineral properties ($393,708). These expenditures were also funded in part by the completion on March 17, 2014 of the first tranche of a previously-announced non-brokered private placement of its common shares, by issuing a total of 4,127,400 common shares at $0.50 per share for net proceeds of $1,981,883. On May 13, 2014, the Company completed a second tranche of the private placement by issuing 800,000 common shares at $0.50 per share for gross proceeds of $400,000.

The Company needs to raise additional funds to complete the acquisition of the Copperwood project (see *Agreement to Acquire the Copperwood Project* section), including the requirement to pay an amount of US$20 million on closing of the transaction, to pursue exploration and development work on its mineral projects and to provide for management and administration expenses for at least the next 12 months. To this effect, the Company announced on February 18, 2014 an increase to the size of its previously announced non-brokered private placement of common shares (see *Financing* section) and is evaluating alternatives financing options. While management has been successful in securing financing in the past, there can be no assurance that it will be successful in its efforts to complete the announced private placement, when needed, on terms satisfactory to the Company. If the Company is not successful in completing additional tranches of private placement and/or if alternative financing options are not available, the Company may not be able to complete the acquisition of the Copperwood project and may be required to pay a termination fee of US$500,000, it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities and it may be unable to meet the earn-in requirements under the Venture Agreement with BRP.

Capital Management

The Company defines capital that it manages as 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. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. As at March 31, 2014, managed capital was $17,408,238 ($16,845,027 at June 30, 2013). There were no changes in the Company's approach to capital management during the period ended March 31, 2014. The Company is not subject to any externally imposed capital requirements as at March 31, 2014. The Company expects that its current capital resources will be sufficient to discharge its liabilities at March 31, 2014.

Off-Balance Sheet Arrangements

At March 31, 2014, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the 3rd Quarter and the nine-month period ended March 31, 2014, the Company incurred administration expenses of $65,682 and $158,232 from Reunion Gold Corporation, a related party by virtue of common management and directors ($44,904 and $162,070 during the 3rd Quarter and the ten-month period ended March 31, 2013). During the 3rd Quarter and the nine-month period ended March 31, 2014, the Company incurred administration expenses of nil from a company controlled by a director and a former officer of the Company (nil and $47,134 during the 3rd Quarter and the ten-month period ended March 31, 2013). These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Remuneration to directors and key management of the Company totaled $206,836 and $790,198 during the 3rd Quarter and nine-month period ended March 31, 2014 ($318,363 and $1,845,838 during 3rd Quarter and ten-month period ended March 31, 2013).

Outstanding Share Data

At May 28, 2014, the Company has 60,271,945 common shares issued and outstanding, 41,250,000 share purchase warrants exercisable at $0.75 per share and expiring on March 31, 2015, and 4,442,000 stock options outstanding with an average exercise price of $0.59, expiring at various dates until November 2017.

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, 2013. These include IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IFRS 13, *Fair Value Measurement*; and Amendments to IAS 1, *Presentation of Financial Statements*. The Company has adopted these new standards, amendments and interpretations effective July 1, 2013 but they have had no impact on its financial information.

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 has no history of earnings and does not expect to receive revenues from operations in the foreseeable future, if at all. The Company's ability to complete the acquisition of the Copperwood project, to fund exploration and development programs and to meet its corporate and administrative obligations on a continuous basis is dependent on obtaining additional financing through various means such as equity financing. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. At March 31, 2014, the Company's working capital totals $1,355,482 ($5,961,704 at June 30, 2013). Accounts payable and accrued liabilities of $1,666,190 at March 31, 2014 are due within the next 3 months. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Currency Risk

In the normal course of operations, the Company is exposed to currency risk on purchases 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 US dollar. The consolidated entity seeks to minimize 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 March 31, 2014, assets and liabilities denominated in a foreign currency consisted of cash of $1,338,187. The impact on operations of a 10% increase or decrease in foreign currencies to Canadian dollar exchange rate on the Company's financial instruments based on balances at March 31, 2014 would be approximately $134,000.

Credit Risk

At March 31, 2014, 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 current policy as it relates to 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. Based on cash on hand at March 31, 2014, sensitivity to a plus or minus 1% change in interest rates would affect comprehensive income by approximately $29,000.

OTHER RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties due to the nature of its business, its limited financial capability, the recently announced acquisition and potential acquisition of significant mineral projects, including the Copperwood project requiring a cash payment of US$20 million on closing of the transaction and the White Pine project which has a long history of mining and, the fact that it has not yet earned an interest in the Keweenaw Project and the present stage of exploration and development of its mineral projects. Failure to successfully address such risks and uncertainties could have a significant 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.

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 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.
- 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.

Company Specific Risks

- The Company may be unable to complete the acquisition of the Copperwood Project and the final closing of the White Pine Project.
- The Company may be unable to raise the funds required to complete the acquisition of the Copperwood project and to continue funding the exploration and development of its projects by way of private placement or other alternative financing options; if such funding is not available, the Company's operations would be adversely affected.
- The Company may be unable to complete a feasibility study by October 26, 2015 and acquire a 65% interest in the Keweenaw Project. Extensive technical, economic, legal, social and environmental studies as well as substantial expenditures will be required to complete a feasibility study for the Keweenaw Project.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- No current mineral resources have been defined at the Company's projects and there is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and the projects may not be economically viable.
- The Company's activities are subject to environmental liability.
- The Company may not obtain all necessary permits to conduct its activities and operate a mine.
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources.
- The Company has no experience in mine production.
- The Company has no history of earnings and does not expect to receive revenues from operations in the foreseeable future; the Company may never achieve profitability, which may cause the market price of the Company's common shares to decline.
- 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.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. 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 announced private placement of up to $55 million, the potential acquisition of the Copperwood and the White Pine copper projects and the exercise of the option to acquire a 65% interest in the Keweenaw Project. There can be no assurance that the Company will be successful in its efforts to complete the announced private placement, that it will acquire the Copperwood Project and complete the final closing of the White Pine Project, or that it will acquire an interest in the Keweenaw Project. Other forward looking information in this MD&A includes, but is not limited to, forward-looking information with respect to: the potential of the Copperwood, White Pine and Keweenaw projects, the estimation of mineral resources, the completion of a feasibility study, the completion of exploration and development programs, the requirement for additional capital, and other statements relating to the financial and business prospects of the Company.

There can be no assurance 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, the inability to complete a feasibility study, the conclusions of such study, 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.

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.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at May 28, 2014. 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).