Highland Copper Company Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended March 31, 2016

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, 2016**	June 30, 2015
	$	$
ASSETS		
Current		
Cash	**579,727**	1,042,341
Sales taxes receivable	**9,584**	54,496
Prepaid expenses and other	**18,072**	52,441
	607,383	1,149,278
Non-current		
Capital assets (Note 4)	**149,529**	233,615
Exploration and evaluation assets (Note 5)	**66,142,573**	61,568,034
TOTAL ASSETS	**66,899,485**	62,950,927
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**2,131,076**	3,146,097
Due to a related party (Note 14)	**-**	8,022
Deposit on sale of royalty (Note 6)	**10,000,000**	10,000,000
	12,131,076	13,154,119
Non-current		
Balance of purchase price payable (Note 7)	**2,644,179**	2,207,430
Environmental liability (Note 8)	**304,329**	281,749
TOTAL LIABILITIES	**15,079,584**	15,643,298
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**51,754,469**	48,115,461
Contributed surplus	**6,241,439**	6,173,571
Deficit	**(14,943,808)**	(13,592,922)
Cumulative translation adjustment	**8,767,801**	6,611,519
TOTAL EQUITY	**51,819,901**	47,307,629
TOTAL LIABILITIES AND EQUITY	**66,899,485**	62,950,927

Going concern (Note 2); Commitments and contingencies (Notes 5, 6 and 11);
Events after the reporting date (Note 5 – White Pine Project and Note 6).

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

On behalf of the Board,

/s/ David Fennell
David Fennell, Director

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

	Three months ended March 31,		Nine months ended March 31,	
(unaudited, in Canadian dollars)	**2016**	2015	**2016**	2015
	$	$	**$**	$
Expenses and other items				
Management and administration (Note 12)	**314,335**	467,247	**994,657**	2,559,239
Pre-exploration	**48,325**	-	**79,783**	79,204
Write-down of exploration and evaluation assets (Note 5)	**-**	-	**273,883**	-
Accretion on environmental liability (Note 8)	**3,910**	4,190	**11,726**	13,052
Finance income	**(700)**	(2,325)	**(3,628)**	(6,999)
Loss (gain) on foreign exchange	**7,796**	(32,289)	**(5,535)**	(31,083)
Net loss for the period	**(373,666)**	(436,823)	**(1,350,886)**	(2,613,413)
Other comprehensive income (loss)				
Item that will not be subsequently reclassified to income				
Foreign currency translation adjustment	**(3,980,723)**	4,232,442	**2,156,282**	7,098,869
Total comprehensive income (loss) for the period	**(4,354,389)**	3,795,619	**805,396**	4,485,456
Basic and diluted loss per common share	**(0.00)**	(0.00)	**(0.01)**	(0.03)
Weighted average number of common shares - basic and diluted	**153,968,626**	102,944,119	**145,263,933**	98,930,116

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**	**Total shareholders' equity**
		$	**$**	**$**	**$**	**$**
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 (Note 9)	**24,426,434**	**3,663,965**	**-**	**-**	**-**	**3,663,965**
Share issue expenses	**-**	**(24,957)**	**-**	**-**	**-**	**(24,957)**
Share-based remuneration	**-**	**-**	**67,868**	**-**	**-**	**67,868**
	24,426,434	**3,639,008**	**67,868**	**-**	**-**	**3,706,876**
Loss for the period	**-**	**-**	**-**	**(1,350,886)**	**-**	**(1,350,886)**
Other comprehensive income						
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**
Balance at June 30, 2014	96,966,745	41,394,661	4,221,734	(10,450,128)	248,024	35,414,291
Private placement	30,410,746	6,458,495	1,144,192	-	-	7,602,687
Share issue expenses	-	(219,459)	-	-	-	(219,459)
Share-based remuneration	-	-	742,819	-	-	742,819
	30,410,746	6,239,036	1,887,011	-	-	8,126,047
Loss for the period	-	-	-	(2,613,413)	-	(2,613,413)
Other comprehensive income						
Foreign currency translation adjustment	-	-	-	-	7,098,869	7,098,869
Balance at March 31, 2015	127,377,491	47,633,697	6,108,745	(13,063,541)	7,346,893	48,025,794

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

	Three months ended March 31,		Nine months ended March 31,	
(unaudited, in Canadian dollars)	**2016**	2015	**2016**	2015
	$	$	**$**	$
Operating activities				
Net loss for the period	**(373,666)**	(436,823)	**(1,350,886)**	(2,613,413)
Adjustments				
Share-based remuneration	**12,386**	-	**40,710**	634,008
Depreciation and amortization	**13,493**	4,066	**26,708**	19,182
Write-down of exploration and evaluation assets	**-**	-	**273,883**	-
Unrealized gain on foreign exchange	**7,796**	(31,083)	**(5,535)**	(31,083)
Accretion on environmental liability	**3,910**	4,190	**11,726**	13,052
Finance income accrued	**(700)**	(2,325)	**(3,628)**	(6,999)
Finance income received	**922**	671	**4,132**	6,394
Changes in working capital items				
Sales taxes receivable	**26,617**	(7,476)	**44,912**	86,031
Prepaid expenses and other	**8,294**	(37,713)	**34,369**	(77,583)
Accounts payable and accrued liabilities	**70,891**	(12,276)	**(145,965)**	(293,298)
Due to a related party	**(1,289)**	-	**(8,022)**	-
	(231,346)	(518,769)	**(1,077,596)**	(2,263,709)
Investing activities				
Acquisition of capital assets	**-**	(10,835)	**(33,127)**	(61,083)
Proceeds on disposal of capital assets	**70,995**	-	**70,995**	27,837
Additions to exploration and evaluation assets	**(489,473)**	(3,802,342)	**(3,089,664)**	(6,653,506)
	(418,478)	(3,813,177)	**(3,051,796)**	(6,686,752)
Financing activities				
Issue of shares	**-**	7,602,687	**3,663,965**	7,602,687
Share issue expenses	**-**	(219,459)	**(24,957)**	(219,459)
Deposit on sale of royalty	**-**	-	**-**	10,000,000
Reimbursement of promissory note	**-**	-	**-**	(8,141,000)
	-	7,383,228	**3,639,008**	9,242,228
Effect of exchange rate changes on cash held in foreign currency	**32,056**	(302,221)	**27,770**	(247,818)
Net change in cash	**(617,768)**	2,749,061	**(462,614)**	43,949
Cash, beginning of period	**1,197,495**	537,598	**1,042,341**	3,242,710
Cash, end of period	**579,727**	3,286,659	**579,727**	3,286,659
Supplemental cash flow information				
Current liabilities related to exploration and evaluation assets	**(88,379)**	938,308	**(960,230)**	1,810,497
Depreciation and amortization included in exploration and evaluation assets	**25,970**	63,961	**103,963**	204,443
Share-based remuneration included in exploration and evaluation assets	**8,921**	-	**27,158**	108,811
Finance expense included in exploration and evaluation assets	**115,622**	121,851	**359,882**	375,993
Gain on disposal of assets included in exploration and evaluation assets	**(70,995)**	-	**(70,995)**	(7,774)

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

1. GENERAL INFORMATION

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

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

To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. 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.

The Board of Directors approved these unaudited condensed interim consolidated financial statements on May 25, 2016.

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 the successful completion of the acquisition of the White Pine Project and raising additional funds.

As is common with many exploration and development companies, the Company has relied on equity financing to fund its operations, including its investments in exploration and evaluation assets. The Company has incurred a net loss of $1,350,886 during the nine months ended March 31, 2016 and has a deficit of $14,943,808 at March 31, 2016. The Company has a working capital deficiency of $11,523,693 at March 31, 2016, including a deposit on sale of a royalty of $10,000,000 from Osisko Gold Royalties Ltd. ("Osisko"), which upon the expected completion of the acquisition of the White Pine Project will be exchanged for the White Pine Royalty (Note 6). The completion of the acquisition of the White Pine Project is dependent on a number of factors, not all of which are under the Company's control, and as such, there is no assurance that the Company will complete the acquisition of the White Pine Project. If the acquisition of the White Pine Project is not completed by June 15, 2016 and if at that time Osisko does not agree to a further extension of the maturity date of the deposit, the deposit on sale of a royalty of $10,000,000 will become refundable (see Notes 5 and 6 for detail of the extensions obtained to complete the acquisition of the White Pine Project).

The Company requires additional funds to settle its working capital deficiency, to complete the acquisition of the White Pine Project, to pursue exploration and development work on its mineral projects, and to provide for management and administration expenses for at least the next 12 months. Such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements. If the Company is not successful in raising additional funds, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

The conditions and uncertainties described above indicate the existence of material uncertainties that casts a significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these 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, 2015 and 2014 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Significant accounting judgements and estimates

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed interim consolidated financial statements include estimates which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, judgments and assumptions are recognized in the period in which the estimate is revised and future period if the revision affects both current and future period. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from the assumptions made, relate to: a) the Company completing the final acquisition of the White Pine Project; b) no indicators of impairment of exploration and evaluation assets; and c) sufficiency of the environmental liability.

March 31, 2016 (unaudited - in Canadian dollars)

4. CAPITAL ASSETS

Capital assets subject to depreciation and amortization are as follows:

	Intangible assets	Vehicles	Computer equipment and furniture	Exploration equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Balance at June 30, 2015	28,254	66,890	11,980	126,491	-	233,615
Additions	**-**	**-**	**33,127**	**-**	**-**	**33,127**
Depreciation and amortization	**(22,967)**	**(31,633)**	**(18,802)**	**(57,269)**	**-**	**(130,671)**
Effect of foreign exchange	**535**	**3,563**	**2,587**	**6,773**	**-**	**13,458**
Balance at March 31, 2016	**5,822**	**38,820**	**28,892**	**75,995**	**-**	**149,529**
Balance at June 30, 2014	69,560	109,688	23,274	221,158	4,777	428,457
Additions	1,384	48,457	1,260	9,982	-	61,083
Disposals	-	(20,063)	-	-	-	(20,063)
Depreciation and amortization	(35,989)	(64,515)	(12,807)	(105,145)	(5,169)	(223,625)
Effect of foreign exchange	3,168	16,541	3,257	31,996	392	55,354
Balance at March 31, 2015	38,123	90,108	14,984	157,991	-	301,206

During the three months ended March 31, 2016, the Company sold some of its vehicles with a net book value of nil, for cash proceeds of $70,995.

March 31, 2016 (unaudited - in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	Nine months ended March 31,	
	2016	2015
	$	$
Mineral properties		
Balance, beginning	**32,782,114**	26,255,698
Property payments in cash	**177,731**	173,848
Accretion on balance of purchase price payable	**359,882**	375,993
Finance expense on note payable to Orvana	**-**	576,979
Write-down *(1)*	**(67,521)**	-
Effect of foreign exchange	**1,257,846**	4,942,849
Balance, ending	**34,510,052**	32,325,367
Exploration and evaluation of mineral properties		
Balance, beginning	**28,785,920**	16,390,236
Site preparation, drilling and assaying	**7,091**	3,892,303
Labour	**1,051,262**	1,694,867
Studies	**537,138**	1,347,569
Other expenses	**356,212**	778,437
Gain on disposal of capital assets	**(70,995)**	(7,774)
Depreciation and amortization	**103,963**	204,443
Write-down *(1)*	**(206,362)**	-
Share-based remuneration	**27,158**	108,811
Effect of foreign exchange	**1,041,134**	3,615,603
Balance, ending	**31,632,521**	28,024,495
Total exploration and evaluation assets	**66,142,573**	60,349,862

(1) Resulting from the non renewal of certain leased properties located in the Upper Peninsula of the State of Michigan.

Cumulative amounts invested by project are as follows:

	March 31,	June 30,
	2016	2015
	$	$
White Pine	**17,825,515**	15,447,201
Copperwood	**31,509,441**	29,804,661
Keweenaw	**16,366,033**	15,642,832
Others	**441,584**	673,340
	66,142,573	61,568,034

5. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project

On May 6, 2016, the Company and Copper Range Company ("CRC"), a subsidiary of First Quantum Minerals Ltd., agreed to extend the period to complete the acquisition of the White Pine Project to the earlier of (i) 30 days following the receipt of a certain environmental permit, and (ii) September 6, 2016. The final closing of the acquisition of the White Pine Project will be completed once Highland has (i) released CRC of a US$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. At that time, Highland will assume CRC's environmental liabilities related to the White Pine Project and will also be responsible for on-going environmental obligations.

Upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, the Company will pay to CRC in cash or in common shares of Highland, at the option of the CRC, an amount equal to $0.005 (one half of one cent) per pound for the first 1 billion pounds of proven and probable reserves of copper and $0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper.

In April 2015, the Company had 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, additional cash payments of US$425,000 and US$150,000 were payable in April 2016 and April 2017, respectively and an annual rent was also payable on each anniversary of the lease. Given its current financial position, the Company did not make the cash payment of US$425,000 or the initial rent payment of US$25,000 on the due date. Discussions are currently being held with the Lessor to amend the terms of the agreement. At this time, the Company cannot predict the outcome of the discussions.

5. EXPLORATION AND EVALUATION ASSETS (continued)

Copperwood Project

As part of the acquisition of the Copperwood project from Orvana Minerals Corp., a TSX-listed company ("Orvana"), the Company may be required to pay as additional consideration up to US$5 million in cash or shares of Highland, at Orvana's option, of which US$2.5 million has been accounted for as the "Future Consideration" described in Note 7. An amount of US$1.25 million may also be payable if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than US$4.25/lb; and an additional payment of US$1.25 million if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than US$4.50/lb. This 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 NSR royalty payments and will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. Under the mineral leases, Orvana US will have mineral rights until the later of the 20th anniversary of the date of the lease or the date Orvana US ceases to be actively engaged in development, mining, or related operations on the property. The mineral leases may be terminated by Orvana US, the Company's wholly owned subsidiary, on 60 days' notice.

Keweenaw 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 Project by spending US$11,500,000 in exploration and development work and providing a feasibility study by a specified date. In November 2015, BRP and the Company agreed to amend the Venture Agreement to provide the Company more time to exercise its option. Under the amended Venture Agreement, the period to provide a feasibility study on at least one deposit covered by the Venture Agreement was extended from October 26, 2015 to December 31, 2017. As consideration for this extension, the Company agreed to secure some of the shafts located on the Keweenaw property and has submitted a budget for environmental work to be completed as part of the feasibility study. At December 31, 2015, a cumulative amount of US$13,095,000 in eligible expenditures had 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 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%.

March 31, 2016 (unaudited - in Canadian dollars)

6. DEPOSIT ON SALE OF ROYALTY

On December 15, 2014, Osisko Gold Royalties Ltd. ("Osisko") made a $10 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine Project (the "White Pine Royalty"). The Osisko deposit is secured against all of the Company's assets. Upon completion of the acquisition of the White Pine Project, the Osisko deposit will be exchanged for the White Pine Royalty. In the event the acquisition of the White Pine Project is not completed by the maturity date of the deposit, the Osisko deposit will need to be refunded and will bear interest at the rate of Libor + 5% until it is refunded. In May 2016, Osisko agreed to extend the maturity of the deposit from the original maturity date of December 31, 2015 to June 15, 2016. The White Pine Royalty will have a base rate of 3% and will increase by 0.01% for every $0.01 increase in the copper price above $3.00 per pound.

In connection with the White Pine Royalty, the Company has 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 to purchase the silver production by paying US$26 million to the Company within 60 days following the delivery to Osisko of a feasibility study on the Michigan Projects.

7. BALANCE OF PURCHASE PRICE PAYABLE

The estimated fair value of the Future Consideration payable to Orvana (Note 5) was accounted for using a discount rate of 20%. The Future Consideration in the amount of US$2,500,000 may be paid by Highland to Orvana in cash or shares of Highland, at Orvana's option, with US$1.25 million payable upon the earliest of (i) commencement of commercial production of Copperwood and (ii) June 17, 2017; and an additional US$1.25 million on the first anniversary of this payment. The balance of purchase price payable at March 31, 2016 was determined as follows:

	Nine months ended March 31,	
	2016	2015
	$	$
Balance, beginning of period	**2,207,430**	1,434,850
Accretion expense	**359,882**	375,993
Effect of foreign exchange	**76,867**	303,446
Balance, end of period	**2,644,179**	2,114,289

March 31, 2016 (unaudited - in Canadian dollars)

8. ENVIRONMENTAL LIABILITY

Changes to the environmental liability, which consists of reclamation costs related to the White Pine Project, are as follows:

	Nine months ended March 31,	
	2016	2015
	$	$
Balance, beginning of period	**281,749**	225,022
Accretion expense	**11,726**	13,052
Effect of foreign exchange	**10,854**	43,174
Balance, end of period	**304,329**	281,248

9. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At March 31, 2016, the Company had 153,968,626 issued and outstanding common shares (129,542,192 at June 30, 2015).

Issuance of shares

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

March 31, 2016 (unaudited - in Canadian dollars)

9. SHARE CAPITAL AND WARRANTS (continued)

Share purchase warrants

The following table reflects the number of issued and outstanding share purchase warrants at March 31, 2016 and June 30, 2015:

	Number of warrants	Price per share	Expiry date
		$	
Private placement – March 11, 2015	**12,275,020**	0.50	Sep 11, 2016
Private placement – March 20, 2015	**1,680,000**	0.50	Sep 20, 2016
Private placement – March 27, 2015	**1,250,353**	0.50	Sep 27, 2016
Private placement – May 2012 (1)	**41,250,000**	0.75	Mar 31, 2017
	56,455,373	0.68	
Average price	**0.68**		

(1) In March 2016, the Company further extended the expiry date of these share purchase warrants originally issued in May 2012 as part of a non-brokered private placement of the Company's securities. The new expiry date is March 2017 and the exercise price of $0.75 remains unchanged.

10. STOCK OPTIONS

The following table sets out the activity in stock options:

	3rd Quarter ended March 31, 2016		**Nine months ended March 31, 2016**	
	Number	**Weighted average exercise price ($)**	**Number**	**Weighted average exercise price ($)**
Options, beginning of period	**7,707,000**	**0.48**	**7,597,000**	**0.49**
Granted	**-**	**-**	**200,000**	**0.13**
Expired	**(135,000)**	**(0.41)**	**(225,000)**	**(0.41)**
Options, end of period	**7,572,000**	**0.48**	**7,572,000**	**0.48**

March 31, 2016 (unaudited - in Canadian dollars)

10. STOCK OPTIONS (continued)

The following table reflects the stock options issued and outstanding at March 31, 2016:

Issue date	Number of options	Exercise price	Remaining contractual life	Number of exercisable options	Exercise price of exercisable options
		$	(years)		$
September 22, 2006	2,000	1.00	0.5	2,000	1.00
July 6, 2012	400,000	0.50	1.3	400,000	0.50
November 5, 2012	3,790,000	0.60	1.6	3,790,000	0.60
August 1, 2014	1,400,000	0.50	3.3	1,400,000	0.50
April 21, 2015	1,780,000	0.25	4.1	330,833	0.25
November 20, 2015	200,000	0.13	4.6	66,667	0.13
	7,572,000	0.48	2.6	5,989,500	0.55

At March 31, 2016, an amount of $40,139 remains to be amortized in future periods (until November 2017) related to the grant of stock options.

11. CONTINGENCY

In February 2016, the Company's interim president and CEO tendered his resignation. As full and final settlement of all unpaid amounts related to his employment with the Company due at that time, the Company has agreed to pay to its former president and CEO a lump sum amount of US$150,000 in cash on the earliest of (a) five business days following the completion by the Company of an equity or debt financing or an asset sale of at least $10 million, and (b) five business days following the completion of a corporate transaction such as a business combination.

March 31, 2016 (unaudited - in Canadian dollars)

12. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Administrative and general *(1)*	**184,178**	300,440	**474,416**	1,051,409
Office	**54,035**	69,810	**176,493**	179,775
Professional fees	**35,415**	3,728	**238,516**	400,693
Investor relations and travel	**3,183**	77,916	**20,966**	248,660
Reporting issuer costs	**11,645**	11,287	**16,848**	25,512
	288,456	463,181	**927,239**	1,906,049
Share-based remuneration	**12,386**	-	**40,710**	634,008
Depreciation and amortization	**13,493**	4,066	**26,708**	19,182
	314,335	467,247	**994,657**	2,559,239

(1) Reflects the reversal during the nine months ended March 31, 2016 of $263,000 in accrued salaries and benefits related to the Company's former president and CEO following his resignation in February 2016, described in Note 11.

13. 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, 2016
	Canada	**USA**	**Total**
	$	**$**	**$**
Current assets	**537,244**	**70,139**	**607,383**
Capital assets	**28,962**	**120,567**	**149,529**
Exploration and evaluation assets	**-**	**66,142,573**	**66,142,573**
Total assets	**566,206**	**66,333,279**	**66,899,485**

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

March 31, 2016 (unaudited - in Canadian dollars)

14. RELATED PARTY TRANSACTIONS

During the three months and the nine months ended March 31, 2016, the Company incurred administration expenses of $38,142 and $224,158, respectively from Reunion Gold Corporation, a related party by virtue of common management ($115,785 and $373,692 during the three months and the nine months ended March 31, 2015, respectively). In December 31, 2015, the Company purchased office furniture and computer equipment for an amount of $31,681 from Reunion Gold Corporation (nil during the comparative period in 2014).

On January 1, 2016, the Company entered into separate agreements to provide management and administration services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited. The services are provided at cost. Amounts recovered for management and administration services during the three months and the nine months ended March 31, 2016 amounted to $36,037 (nil in 2015).

During the three months and the nine months ended March 31, 2016, the Company purchased geological services for amounts of $5,791 and $24,092, respectively from Avala Resources Ltd., a related party by virtue of common management (nil during the comparative periods).

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 Executive Chairman and interim President and CEO, the Executive Vice-President and the CFO, is as follows:

	Three months ended March 31,		**Nine months ended March 31,**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Salaries, benefits and director fees (Note 12)	**122,418**	165,873	**203,315**	499,417
Consulting fees	**72,207**	126,920	**282,468**	310,680
Share-based remuneration	**13,167**	-	**43,083**	532,378
	207,792	292,793	**528,866**	1,342,475

HIGHLAND
Copper Company Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

3rd Quarter ended March 31, 2016

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE 3rd QUARTER ENDED MARCH 31, 2016

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Highland Copper Company Inc. and its subsidiaries ("Highland" or the "Company") for the three months ended March 31, 2016 is dated May 25, 2016. This MD&A is intended to supplement and complement, [and should be read in conjunction with,] the unaudited condensed interim consolidated financial statements and related notes at March 31, 2016 (the "March 31, 2016 condensed interim consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended June 30, 2015, including the description of risks and uncertainties, and the audited consolidated financial statements for the years ended June 30, 2015 and 2014. All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS

Highland is a Canadian-based company engaged in the acquisition, exploration and development of mineral properties. The Company's mineral projects are located in Michigan, USA. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. At May 25, 2016, the Company had 153,968,626 common shares issued and outstanding.

The Company has assembled a number of advanced-stage copper projects located in Michigan's Upper Peninsula region, including **Copperwood**, a feasibility stage project, acquired in June 2014 from Orvana Minerals Corp. ("Orvana"), **White Pine,** subject to final closing pursuant to the May 2014 agreement with Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd. (see *Highlights* section for detail of the extensions obtained to complete the acquisition of the White Pine project), 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). In addition, the Company has entered into mineral lease agreements entitling the Company to explore and develop certain other projects located in the same area.

FINANCIAL CONDITION

At March 31, 2016, the Company had a working capital deficit of $11,523,693. This amount includes a $10,000,000 refundable deposit made by Osisko Gold Royalties Ltd. ("Osisko"), a TSX-listed company, in December 2014, secured against all of the Company's assets, to be exchanged for a royalty on all metals from the White Pine project on final completion of the acquisition of the White Pine project.

The Company requires additional funds to meet its exploration and development objectives, to complete the acquisition of the White Pine project (including an amount to replace the current environmental financial assurance bond), to maintain its mineral leases in good standing, and to provide for management and administration expenses for at least the next 12 months. Such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements.

There can be no assurance that the Company will be able to raise the funds required. If the Company is not successful in raising additional funds and is not able to complete the acquisition of the White Pine project, the Company may not be able to refund the $10,000,000 deposit described above in which case Osisko could exercise its rights under security agreements granted by the Company to secure the repayment of the deposit. The Company continues to assess different options to finance its acquisitions, exploration and development plans, and ongoing obligations.

HIGHLIGHTS

- The Company and CRC have agreed to extend the period to complete the acquisition of the White Pine project from the original maturity date of December 31, 2015 to the earlier of (i) 30 days following receipt of a certain environmental permit and (ii) September 6, 2016. The Company and Osisko also agreed to extend the maturity of the $10,000,000 refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine project from the original maturity date of December 31, 2015 to the latest maturity date being June 15, 2016;
- Discussions are continuing with the Michigan Department of Environmental Quality, CRC and Highland, supported by various experts in the fields of environmental assessments and water management, with the aim of determining the amount of the environmental financial assurance and completing the final acquisition of the White Pine project as soon as is permissible; the Company may need to seek additional extensions from both CRC and Osisko to complete the final acquisition of the White Pine project but there is no assurance that such extensions will be granted;
- In April 2015, the Company had entered into a 20-year lease, 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"), additional cash payments of US$425,000 and US$150,000 were payable in April 2016 and April 2017, respectively and an annual rent was also payable on each anniversary of the lease. Given its current financial position, the Company did not make the cash payment of US$425,000 or the initial rent payment of US$25,000 on the due date. Discussions are currently being held with the Lessor to amend the terms of the agreement. At this time, the Company cannot predict the outcome of the discussions;
- In March 2016, the Company further extended the expiry date of the share purchase warrants originally issued in May 2012 to March 2017 with the exercise price of $0.75 remaining unchanged;
- On February 9, 2016, the Company's interim president and CEO tendered his resignation. Mr. David Fennell, the Company's Executive Chairman, also serves as interim president and CEO of the Company since Mr. Crombie's resignation;
- Given the Company's limited financial resources and the current copper price environment, the Company has suspended all of its exploration and development activities, including all field work and pre-feasibility and environmental baseline studies, to conserve cash. Additional drilling on the Company's projects, studies and metallurgical tests required for the completion of a pre-feasibility study will recommence as soon as the Company has raised the required funds.

EXPLORATION EXPENSES

Amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's accounting policy, during the nine months ended March 31, 2016 are as follows:

	Nine months ended March 31,	
	2016	2015
	$	$
Property payments	**177,731**	173,848
Site preparation, drilling and assaying	**7,091**	3,892,303
Labour	**1,051,262**	1,694,867
Studies	**537,138**	1,347,569
Finance expense on promissory note	**-**	576,979
Other expenses	**356,212**	778,437
	2,129,434	8,464,003
Non-cash items		
Depreciation and amortization	**103,963**	204,443
Gain on disposal of capital assets	**(70,995)**	(7,774)
Write-down	**(273,883)**	-
Share-based remuneration	**27,158**	108,811
Accretion on purchase price payable	**359,882**	375,993
Effect of foreign exchange	**2,298,980**	8,558,452
	2,445,105	9,239,925
	4,574,539	17,703,928

Cumulative amounts invested by projects are as follows:

	March 31,	June 30,
	2016	2015
	$	$
Copperwood	**31,509,441**	29,804,661
White Pine	**17,825,515**	15,447,201
Keweenaw	**16,366,033**	15,642,832
Others	**441,584**	673,340
	66,142,573	61,568,034

SELECTED CONSOLIDATED FINANCIAL INFORMATION (1)(2)

The following selected financial information should be read in conjunction with the Company's March 31, 2016 condensed interim consolidated financial statements.

	March 31, 2016	June 30, 2015
	$	$
Financial position		
Cash	**579,727**	1,042,341
Working capital deficit (a)	**(11,523,693)**	(12,004,841)
Exploration and evaluation assets	**66,142,573**	61,568,034
Total assets	**66,899,485**	62,950,927
Balance of purchase price payable	**2,644,179**	2,207,430

(a) Including a $10,000,000 deposit on sale of royalty to Osisko

	Three months ended March 31,		**Nine months ended March 31,**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Net loss for the period	**(373,666)**	(436,823)	**(1,350,886)**	(2,613,413)
Basic and diluted loss per share	**(0.00)**	(0.01)	**(0.01)**	(0.03)

1) *The Selected Consolidated Financial Information was derived from the Company's March 31, 2016 condensed interim consolidated financial statements, prepared in accordance with IAS 34, Interim Financial Reporting.*
2) *The Company's March 31, 2016 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 raising additional funds and completing the acquisition of the White Pine project. If the acquisition of the White Pine project is not completed by June 15, 2016 and if, at that time, Osisko does not agree to a further extension of the maturity date of the deposit, the deposit on sale of a royalty will become refundable. If the Company is not successful in raising additional funds, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, any of which could have a negative impact on the business, financial condition and results of operation of the Company. The conditions and uncertainties described above indicate the existence of material uncertainties that casts a significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for the Company's March 31, 2016 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.*

Financial Review

In accordance with its accounting policy, an amount of $4,574,539 in exploration and evaluation expenses was capitalized during the nine months ended March 31, 2016. These include cash expenses of $2,129,434 (consisting mostly of labor, environmental and tailings related studies and property payments) and non-cash expenses of $2,445,105 including an unrealized foreign exchange loss of $2,298,980 due to the weakening of the Canadian dollar during the reporting period. During the comparative period in 2014, the Company capitalized an amount of $17,703,928 as exploration and evaluation assets, including cash expenses of $8,464,003 (consisting mostly of direct costs related to the completion of 27 drill holes for 19,152 meters at White Pine North, labor, pre-feasibility level studies which had begun in September 2004 on the development of the Company's Michigan projects through a then-centralized processing facility approach, property payments and finance expense on the Orvana promissory note which was fully reimbursed in December 2014) and non-cash expenses of $9,239,925 including an unrealized foreign exchange loss of $8,558,452 due to the weakening of the Canadian dollar during the 2015 reporting period. The detail of the capitalized exploration and evaluation expenses and the exploration and evaluation assets by project is presented in the *Exploration expenses* section.

The Company incurred a net loss of $373,666 during the three months ended March 31, 2016 compared to a net loss of $436,823 during the three months ended March 31, 2015. The reduced loss during the current period is mostly due to lower management and administration expenses which totaled $314,335 during the current period compared to $467,247 in 2015, due mostly to reduced wages following the resignation of the Company's former president and CEO in February 2016, and to a reduction in investor relations and travel expenses, due to the non-renewal of the investor relations program in the last quarter of 2015. The reduced management and administration expenses during the current period was partially offset by fees incurred related to the evaluation of other properties in Michigan.

The Company incurred a net loss of $1,350,886 during the nine months ended March 31, 2016 compared to a net loss of $2,613,413 during the nine months ended March 31, 2015. The reduced loss during the current period is mostly due to lower management and administration expenses which totaled $994,657 during the current period compared to $2,559,239 in 2015. Management and administration expenses in 2016 reflect the reversal of $263,000 in accrued salaries and benefits related to the Company's former president and CEO following his resignation in February 2016, lower professional fees (2015 professional fees included legal, audit and tax fees related to the acquisition of the Copperwood project and legal fees related to the deposit on sale of a royalty to Osisko), a reduction in investor relations and travel expenses, due to the non-renewal of the investor relations program in the last quarter of 2015 and lower share-based remuneration expense (an amount of $40,710 in 2016 compared to $634,008 in 2015, mostly due to the grant in August 2014 of 1,400,000 stock options at a fair value of $0.44 per share compared to 200,000 stock options at a fair value of $0.11 per share during the current period). The reduced management and administration expenses during the current period was partially offset by fees incurred related to the evaluation of other properties in Michigan and a write-down of $273,883 resulting from the non renewal of certain leased properties located in the Upper Peninsula of the state of Michigan.

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, 2016	700	(373,666)	(0.00)
December 31, 2015	2,340	(493,768)	(0.00)
September 30, 2015	588	(483,452)	(0.00)
June 30, 2015	3,359	(529,381)	(0.01)
March 31, 2015	2,325	(436,823)	(0.00)
December 31, 2014	582	(1,011,470)	(0.01)
September 30, 2014	4,092	(1,165,120)	(0.01)
June 30, 2014	3,303	(846,359)	(0.01)

Liquidity and Capital Resources

The Company's working capital deficiency at March 31, 2016 totaled $11,523,693 compared to a working capital deficiency of $12,004,841 at June 30, 2015. The reduction in the working capital deficiency during the nine months ended March 31, 2016 is mainly attributable to net proceeds of $3,639,008 received on October 6, 2015 from a non brokered private placement with Osisko of 24,426,434 common shares at $0.15 per share, partially offset by investments made on the Company's exploration and evaluation assets ($2,129,434) and by management and administration expenses ($927,239).

The Company requires additional funds to meet its exploration and development objectives, to complete the acquisition of the White Pine project (including an amount to replace the current environmental financial assurance bond), to maintain its mineral leases in good standing, and to provide for management and administration expenses for at least the next 12 months. The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The potential sources of future funds presently available to the Company are through the issuance of securities, debt financing, joint venture or other arrangements. The ability of the Company to arrange the required financing depends in part upon the global economic and capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company.

Capital Management

The Company defines capital that it manages as loans (including deposit on sale of royalty and balance of purchase price payable) and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At March 31, 2016, managed capital was $64,464,080 ($59,515,059 at June 30, 2015). There were no changes in the Company's approach to capital management during the nine months ended March 31, 2016. The Company is not subject to any externally imposed capital requirements as at March 31, 2016.

Off-Balance Sheet Arrangements

At March 31, 2016, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the three months and the nine months ended March 31, 2016, the Company incurred administration expenses of $38,142 and $224,158, respectively, from Reunion Gold Corporation, a related party by virtue of common management ($115,785 and $373,692 during the three months and the nine months ended March 31, 2015, respectively). In December 31, 2015, the Company purchased office furniture and computer equipment for an amount of $31,681 from Reunion Gold Corporation (nil during the comparative period in 2014).

On January 1, 2016, the Company entered into separate agreements to provide management and administration services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited. The services are provided at cost. Amounts recovered for management and administration services during the three months and the nine months ended March 31, 2016 totaled $36,037 (nil in 2015).

During the three months and the nine months ended March 31, 2016, the Company purchased geological services for amounts of $5,791 and $24,092, respectively from Avala Resources Ltd., a related party by virtue of common management (nil during the comparative periods).

Remuneration to directors and key management of the Company totaled $207,792 and $528,866 during the three months and the nine months ended March 31, 2016 ($292,793 and $$1,342,475 during the comparative periods in 2015). Expenses in 2016 reflect the reversal of $263,000 in accrued salaries and benefits related to the Company's former president and CEO following his resignation in early February 2016.

Book Value of Exploration and Evaluation Assets

At the end of each period, the Company reviews impairment indicators related to its exploration and evaluation assets to determine whether any write-down is necessary. Following this analysis, no write-down was deemed necessary at March 31, 2016.

Outstanding Share Data

At May 25, 2016, the Company has 153,968,626 common shares issued and outstanding, 56,455,373 share purchase warrants exercisable at an average price of $0.68 per share until September 27, 2016, and 7,572,000 stock options outstanding with an average exercise price of $0.48, expiring at various dates until November 2020.

FINANCIAL RISK FACTORS

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, currency risk, credit risk and interest rate risk. Where material, these risks are reviewed by the board of directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for continued operations through future financings (see '*Financial Condition*' section).

The following table summarizes the contractual maturities of the Company's financial liabilities at March 31, 2016:

	Carrying Amount	Settlement Amount	Within 1 year	2-3 years	Over 3 years
	$	$	$	$	$
Accounts payable and accrued liabilities	2,131,076	2,131,076	2,131,076	-	-
Deposit on sale of royalty	10,000,000	10,000,000	10,000,000	-	-
Balance of purchase price payable	2,644,179	3,246,750	-	3,246,750	-
	14,775,255	15,377,826	12,131,076	3,246,750	-

As part of the acquisition of the White Pine project, Highland agreed that, upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, it will pay as additional consideration, in cash or in common shares of Highland, at the option of CRC, an amount equal to US$0.005 (one half of one cent) per pound for the first one billion pounds of proven and probable reserves of copper and US$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper.

As part of acquisition of the Copperwood project from Orvana, the Company agreed to pay an amount of 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 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.

Currency Risk

Highland seeks to minimise its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. Highland does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions, denominated primarily in Canadian and US dollars, 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, 2016, assets and liabilities denominated in a foreign currency consisted of cash of $132,258 and accounts payable and accrued liabilities of $410,316. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately $27,800.

Credit Risk

At March 31, 2016, the Company's financial assets exposed to credit risk are primarily composed of cash. To mitigate exposure to credit risk, the Company has established a policy to ensure counterparties demonstrate minimum acceptable credit worthiness, and to ensure liquidity of available funds. The Company's cash is held with large financial institutions, with most of the Company's cash held with a Canadian-based financial institution.

Interest Rate Risk

The Company's interest rate risk relates to cash. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest bearing accounts with major Canadian-based chartered banks. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately $5,800.

OTHER RISKS AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties which are presented below. Failure to successfully address such risks and uncertainties could have a significant negative impact on the Company's overall operations and financial condition and could materially affect the value of the Company's assets and future operating results. 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.

- The Company's activities do no generate cash flow and the Company may be unable to continue funding the exploration and development of its projects and achieve its business objectives and milestones. The Company has a working capital deficit and there is a risk that the Company will not be able to meet its financial obligations as they fall due or meet closing conditions under existing agreements.

- Current economic uncertainties globally have created market volatility and risk aversion among investors limiting the Company's capital raising options.
- The price of copper has declined significantly in recent years and may continue to decline. This could impact the Company's ability to raise new capital and further delay the development of its projects.
- The Company may be unable to complete the acquisition of the White Pine project if it cannot meet the final closing conditions. This would force the Company to refund the $10 million deposit on sale of a royalty to Osisko and would negatively impact the Company's business; there is no assurance that the Company would be able to obtain further extensions or raise the funds necessary to reimburse the deposit in which case Osisko could exercise its rights under security agreements granted by the Company to secure the repayment of the deposit.
- The Company is subject to environmental risks related to the fact that the White Pine project is subject to a consent decree and, as part of the acquisition of White Pine, the Company will have to assume certain environmental responsibilities related to the closure of the former White Pine Mine.
- The Company is taking steps to verify title with respect to its most material mineral properties. Although the Company believes that title to its mineral properties are in good standing there is no guarantee that title to such properties will not be challenged or impugned.
- The Company's mineral resource estimates are not mineral reserves. There is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and that the Company will be able to demonstrate the economic viability of its deposits.
- The Company may not obtain all necessary permits to conduct its activities and operate a mine.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- The Company has no history of earnings and does not expect to receive revenues from operations in the foreseeable future.
- Mining operations including exploration and development activities are subject to numerous laws and regulations, which are subject to continuous changes.
- 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 can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking information.

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

There can be no assurance that the Company will be successful in its efforts to complete a financing or raise the funds required to achieve its plans and objectives, and that such forward-looking information will prove to be accurate. Factors that could affect the outcome include, among others: inability to raise the money necessary to acquire, retain and advance the Companies projects, failure to satisfy conditions of closing; changes in demand for and prices of copper; environmental liabilities (known and unknown); delays in obtaining governmental, environmental or other approvals; failure to obtain regulatory approvals; general business, economic, competitive, political and social uncertainties; changes in exchange rates; and accidents and other risks of the mining industry.

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 25, 2016. 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).