



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the three months ended September 30, 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

<i>(unaudited, in Canadian dollars)</i>	September 30, 2016	June 30, 2016
	\$	\$
ASSETS		
Current		
Cash	116,505	201,998
Sales taxes receivable	9,450	-
Prepaid expenses and other	13,423	6,233
	139,378	208,231
Non-current		
Capital assets	90,194	114,990
Exploration and evaluation assets (Note 3)	55,274,557	53,827,188
TOTAL ASSETS	55,504,129	54,150,409
LIABILITIES		
Current		
Accounts payable and accrued liabilities	3,358,125	3,019,495
Due to a related party (Note 8)	6,165	25,543
Loan from a director, including accrued interest (Note 8)	453,300	-
Balance of purchase price payable (Note 3)	1,518,610	1,445,087
	5,336,200	4,490,125
Non-current		
Balance of purchase price payable (Note 3)	1,360,467	1,289,355
Environmental liability	314,333	306,606
TOTAL LIABILITIES	7,011,000	6,086,086
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	51,754,469	51,754,469
Contributed surplus	6,262,422	6,253,329
Deficit	(18,124,255)	(17,809,014)
Cumulative translation adjustment	8,600,493	7,865,539
TOTAL EQUITY	48,493,129	48,064,323
TOTAL LIABILITIES AND EQUITY	55,504,129	54,150,409

Going concern (Note 1); Commitments and contingencies (Note 3); Event after the Reporting Date (Note 9).

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

<i>(unaudited, in Canadian dollars)</i>	Three months ended September 30,	
	2016	2015
	\$	\$
Expenses and other items		
Management and administration (Note 6)	308,555	480,982
Accretion on environmental liability	2,965	3,908
Finance expense on loan from a director (Note 8)	3,300	-
Finance income	(35)	(588)
Loss (gain) on foreign exchange	456	(850)
Net loss for the period	(315,241)	(483,452)
Other comprehensive income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	734,954	3,807,649
Total comprehensive income for the period	419,713	3,324,197
Basic and diluted loss per common share	(0.00)	(0.00)
Weighted average number of common shares - basic and diluted	153,968,626	129,542,192

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Shareholders' Equity

<i>(unaudited, in Canadian dollars)</i>	Number of issued and outstanding common shares	Share capital	Contributed surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity
		\$	\$	\$	\$	\$
Balance at June 30, 2016	153,968,626	51,754,469	6,253,329	(17,809,014)	7,865,539	48,064,323
Share-based compensation	-	-	9,093	-	-	9,093
Loss for the period	-	-	-	(315,241)	-	(315,241)
Other comprehensive income						
Foreign currency translation adjustment	-	-	-	-	734,954	734,954
Balance at September 30, 2016	153,968,626	51,754,469	6,262,422	(18,124,255)	8,600,493	48,493,129
Balance at June 30, 2015	129,542,192	48,115,461	6,173,571	(13,592,922)	6,611,519	47,307,629
Share-based compensation	-	-	19,034	-	-	19,034
Loss for the period	-	-	-	(483,452)	-	(483,452)
Other comprehensive income						
Foreign currency translation adjustment	-	-	-	-	3,807,649	3,807,649
Balance at September 30, 2015	129,542,192	48,115,461	6,192,605	(14,076,374)	10,419,168	50,650,860

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Cash Flows

<i>(unaudited, in Canadian dollars)</i>	Three months ended September 30,	
	2016	2015
	\$	\$
Operating activities		
Net loss for the period	(315,241)	(483,452)
Adjustments		
Share-based compensation	6,053	9,915
Depreciation and amortization	8,925	5,170
Unrealized loss (gain) on foreign exchange	456	(850)
Accretion on environmental liability	2,965	3,908
Finance expense on loan from a director	3,300	-
Finance income accrued	(35)	(588)
Finance income received	59	1,222
Changes in working capital items		
Sales taxes receivable	(9,450)	41,546
Prepaid expenses and other	(7,172)	8,848
Accounts payable and accrued liabilities	136,254	168,970
Due from a related party	(19,378)	(8,022)
	(193,264)	(253,333)
Investing activities		
Acquisition of capital assets	-	(1,446)
Additions to exploration and evaluation assets	(330,857)	(647,907)
	(330,857)	(649,353)
Financing activities		
Loan from a director	450,000	-
Effect of exchange rate changes on cash held in foreign currency	(11,372)	(31,342)
Net change in cash	(85,493)	(934,028)
Cash, beginning of period	201,998	1,042,341
Cash, end of period	116,505	108,313
Supplemental cash flow information		
Current liabilities related to exploration and evaluation assets	185,500	110,563
Depreciation and amortization included in exploration and evaluation assets	17,324	46,814
Share-based compensation included in exploration and evaluation assets	3,040	9,119
Finance expense included in exploration and evaluation assets	101,436	123,848

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016 (unaudited - in Canadian dollars)

1. GENERAL INFORMATION AND GOING CONCERN

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together “Highland” or the “Company”) are primarily engaged in the acquisition, exploration and development of mineral properties. The Company has assembled a number of advanced-stage copper projects located in Michigan’s Upper Peninsula region, including Copperwood, White Pine and Keweenaw. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage. All financial results in these unaudited condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. Highland’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol HI. The Board of Directors approved these consolidated financial statements on November 29, 2016.

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 raising additional funds, completing the acquisition of the White Pine Project, retaining its rights under the White Pine lease agreement and acquiring a 65% interest in the Keweenaw Project. The Company has incurred a net loss of \$315,241 during the three months ended September 30, 2016 and has a deficit of \$18,124,255 at September 30, 2016. The Company has a working capital deficiency of \$5,196,822 at September 30, 2016.

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. To this effect, the Company announced on November 15, 2016, that it planned to raise through a non brokered private placement an amount of up to \$23 million (Note 9). However, there is no assurance that the Company will be successful in completing the announced private placement. Should the Company not be successful in raising such additional funds, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, and / or sell some of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

The conditions and uncertainties described above indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. If the going concern assumption was not appropriate for 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.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2016 (unaudited - in Canadian dollars)

2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

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

3. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	White Pine Project	Copperwood Project	Keweenaw Project	Leased Properties	Total
	\$	\$	\$	\$	\$
Balance, June 30, 2016	18,587,530	21,462,768	13,337,295	439,595	53,827,188
Property payments in cash	-	144,227	-	2,610	146,837
Labour	131,533	37,753	8,511	-	177,797
Studies	-	3,263	-	-	3,263
Other exploration expenses	166,519	18,477	3,464	-	188,460
Depreciation and amortization	9,246	667	7,411	-	17,324
Share-based compensation	-	-	3,040	-	3,040
Finance expense	-	101,436	-	-	101,436
Effect of foreign exchange	281,830	333,863	186,700	6,819	809,212
	589,128	639,686	209,126	9,429	1,447,369
Balance, September 30, 2016	19,176,658	22,102,454	13,546,421	449,024	55,274,557
Balance, June 30, 2015	15,447,201	29,804,661	15,642,832	673,340	61,568,034
Property payments in cash	-	82,702	-	2,619	85,321
Labour	393,086	39,247	51,933	-	484,266
Studies	42,562	464	-	-	43,026
Other exploration expenses	120,919	11,009	13,929	-	145,857
Depreciation and amortization	10,025	1,411	35,378	-	46,814
Share-based compensation	-	-	9,119	-	9,119
Finance expense	-	123,848	-	-	123,848
Effect of foreign exchange	1,036,244	2,045,611	969,635	44,936	4,096,426
	1,602,836	2,304,292	1,079,994	47,555	5,034,677
Balance, September 30, 2015	17,050,037	32,108,953	16,722,826	720,895	66,602,711

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2016 (unaudited - in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project, Michigan, USA

On May 13, 2014 (the interim closing date), the Company entered into an agreement to acquire from Copper Range Company ("CRC") all of CRC's rights, title and interest in the White Pine Project. The final closing of the acquisition will be completed once Highland has (i) released CRC of a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. 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, which initially was to occur by December 31, 2015, has been extended to December 2, 2016. Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project.

Upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, the Company will pay to CRC in cash or in common shares of Highland, at the option of CRC, an amount equal to US\$0.005 (one half of one cent) per pound for the first 1 billion pounds of proven and probable reserves of copper and US\$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper. At September 30, 2016, the Company has not yet estimated any proven and probable reserves at the White Pine Project and has not yet completed a feasibility study or initiated the activities required to obtain the necessary permits. Consequently, the Company has not yet accounted for this contractual contingent liability.

Lease Agreement, White Pine, Michigan, USA

In April 2015, the Company 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 with the holder of the mineral rights (the "Lessor"), an additional cash payments of US\$425,000 was payable in April 2016 (a further cash payment of US\$150,000 becomes due in April 2017), and an annual rent is payable on the 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. These amounts are included in accounts payable and accrued liabilities at September 30, 2016. The Company is continuing discussions with the Lessor and believes that this matter will be resolved once it has successfully raised the funds necessary to continue its activities. However, there is no assurance that the Company will be successful in raising such funds.

Upon commencement of production, Highland will have to pay to the Lessor a sliding scale royalty on copper and silver production from the leased mineral rights with a base royalty of 2% for copper and 2.5% for silver. The Company has an option to repurchase 50% of the royalties. The Company may terminate the lease at any time upon a 30 day notice. Expenses related to this agreement are presented as part of the White Pine Project as the related mineral rights are located within the White Pine Project area.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2016 (unaudited - in Canadian dollars)

3. 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\$1.25 million is due on June 17, 2017 and US\$1.25 million on June 17, 2018. The fair value of the amounts due in 2017 and 2018 have been accounted for and presented as Balance of Purchase Price Payable on the consolidated statements of financial position.

An additional amount of US\$1.25 million may also be payable 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 net smelter return ("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 Resources US Corp., the Company's wholly-owned subsidiary ("Orvana US"), will be entitled to the mineral rights under the leases until the later of the 20th anniversary of the date of the leases 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 on 60 days' notice.

Osisko royalty and Osisko option on future silver production

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

In connection with the December 2014 agreement with Osisko, the Company had granted to Osisko an option to purchase for US\$26 million any future silver production from the Company's projects, including White Pine, Copperwood and Keweenaw (the "Michigan Projects"). Osisko may elect to exercise the option 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.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2016 (unaudited - in Canadian dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

Keweenaw Project

Under a Mining Venture Agreement with BRP LLC ("BRP"), the Company has an option to acquire a 65 percent interest in the Keweenaw Project (which includes the 543S deposit) by providing a feasibility study by December 31, 2017 and securing some of the historical shafts located in the Keweenaw region. Upon 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 NSR royalty from production on those properties contributed by BRP based on the price per pound of copper with a minimum of 2% up to a maximum of 5%.

4. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At September 30, 2016 and June 30, 2016, the Company had 153,968,626 issued and outstanding common shares.

Share purchase warrants

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

	Number of warrants June 30, 2016	Expired	Number of warrants September 30, 2016	Price per share \$	Expiry date
Private placement – May 2012	41,250,000	-	41,250,000	0.75	Mar 31, 2017
Private placement – March 11, 2015 (1)	12,275,020	(12,275,020)	-	-	-
Private placement – March 20, 2015 (1)	1,680,000	(1,680,000)	-	-	-
Private placement – March 27, 2015 (1)	1,250,353	(1,250,353)	-	-	-
	56,455,373	(15,205,373)	41,250,000	0.75	
Average price	0.68	(0.50)	0.75		

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016 (unaudited - in Canadian dollars)

5. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended September 30, 2016	
	Number	Weighted average exercise price (\$)
Options, beginning of period	7,522,000	0.48
Expired	(2,000)	(1.00)
Options, end of period	7,520,000	0.48

The following table reflects the stock options issued and outstanding at September 30, 2016:

Issue date	Number of options	Exercise price \$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options \$
July 6, 2012	400,000	0.50	0.8	400,000	0.50
November 5, 2012	3,770,000	0.60	1.1	3,770,000	0.60
August 1, 2014	1,400,000	0.50	2.8	1,400,000	0.50
April 21, 2015	1,750,000	0.25	3.6	651,666	0.25
November 20, 2015	200,000	0.13	4.2	66,667	0.13
	7,520,000	0.48	2.1	6,288,333	0.53

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016 (unaudited - in Canadian dollars)

6. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2016	2015
	\$	\$
Administrative and general	183,525	298,014
Office	59,308	63,524
Professional fees	47,637	91,655
Investor relations and travel	1,812	10,471
Reporting issuer costs	1,295	2,233
Share-based compensation	6,053	9,915
Depreciation and amortization	8,925	5,170
	308,555	480,982

7. 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:

	September 30, 2016		
	Canada	USA	Total
	\$	\$	\$
Current assets	122,412	16,966	139,378
Capital assets	6,544	83,650	90,194
Exploration and evaluation assets	-	55,274,557	55,274,557
Total assets	128,956	55,375,173	55,504,129

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016 (unaudited - in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2016, the Company incurred administration expenses of \$46,479 from Reunion Gold Corporation, a related party by virtue of common management (\$113,977 during the three months ended September 30, 2015). At September 30, 2016, the Company had an amount due to Reunion Gold Corporation of \$6,165 (\$25,543 at June 30, 2016).

During the three months ended September 30, 2016, the Company recovered an amount of \$21,027 for the provision of management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation (nil during the three months ended September 30, 2015). The services are provided at cost.

Loan from a director

David Fennell, the Company's chairman and interim president and CEO advanced funds of \$450,000 during the reporting period to ensure that critical payments to maintain the Company in good standing are being made. These advances bear interest at the rate of 1% per month on the principal amount. The principal amount and accrued interest will be repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$10 million or upon demand at any time after June 30, 2017.

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 September 30,	
	2016	2015
	\$	\$
Salaries, benefits and director fees	118,633	170,456
Consulting fees	57,831	121,177
Share-based compensation	6,318	10,712
	182,782	302,345

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2016 *(unaudited - in Canadian dollars)*

9. EVENT AFTER THE REPORTING DATE

On November 15, 2016, the Company announced that it planned to complete a non-brokered private placement of its securities comprised of up to 230 million units (the "Units") at \$0.10 per Unit, to raise up to \$23 million (the "Offering"). Each Unit will consist of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable to acquire one common share at \$0.15 for a period of 12 months from the closing date of the Offering.

The Company intends to use the proceeds from the Offering to update the feasibility of the Copperwood Project, to complete the acquisition of the White Pine Project, to settle its liabilities, and for general corporate purposes.

The Company expects to close a portion of the Offering on November 30, 2016 and the balance on or about December 15, 2016, subject to certain conditions including but not limited to the receipt of all required regulatory approvals, including the approval of the TSXV.

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016**

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

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

The effective date of this Interim MD&A is November 29, 2016.

All financial results presented in this Interim MD&A are expressed in Canadian dollars unless otherwise indicated.

DESCRIPTION OF BUSINESS

Highland is a Canadian-based company engaged in the acquisition, exploration and development of mineral projects located in Michigan's Upper Peninsula region. Highland's financial year-end is June 30 and its common shares trade on the TSX Venture Exchange ("TSXV") under the symbol HI. At November 29, 2016, the Company had 153,968,626 common shares issued and outstanding.

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

HIGHLIGHTS FOR THE PERIOD

- On November 15, 2016, the Company announced that it plans to complete a non-brokered private placement of its securities comprised of up to 230 million units (the "Units") at \$0.10 per Unit, to raise up to approximately US\$17 million (\$23 million) (the "Offering"). Each Unit will consist of one common share of the Company and one half of one common share purchase warrant (each whole

warrant, a "Warrant"), with each Warrant exercisable to acquire one common share at \$0.15 for a period of 12 months from the closing date of the Offering; the Company expects to close a portion of the Offering on November 30, 2016 and the balance on or about December 15, 2016, subject to certain conditions including but not limited to the receipt of all required regulatory approvals, including the approval of the TSXV;

- During the reporting period, David Fennell, the Company's chairman and interim president and CEO advanced funds of \$450,000 to ensure that critical payments to maintain the Company in good standing were being made; these advances bear interest at the rate of 1% per month on the principal amount; the principal amount and the accrued interest will be repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$10 million or upon demand at any time after June 30, 2017;
- Limited activities have been conducted on the Company's projects during the reporting period, given the Company's limited financial resources;
- In accordance with its accounting policy, the Company capitalized to exploration and evaluation assets an amount of cash-related expenses of \$516,000 during the three months ended September 30, 2016, including annual lease payments of \$144,000 related to the Copperwood Project, labor expenses of \$178,000 and other general expenses of \$194,000;
- The Company incurred a net loss of \$315,241 (nil per share) for the three months ended September 30, 2016 compared to a net loss of \$485,452 (nil per share) during the comparative period in 2015.

OUTLOOK

The Company anticipates completing the Offering by mid-December 2016, including a 1st tranche on or about November 30, 2016. Following completion of the Offering, the Company is planning to recommence its activities. The Company's objectives and priorities will be to:

- update the feasibility study of the Copperwood Project;
- re-engage discussions with the various stakeholders (i.e. CRC and the Michigan Department of Environmental Quality) with the aim of completing the acquisition of the White Pine Project, as soon as is practicable; and
- re-engage with the owner of certain mineral rights located at White Pine, for which the Company had entered into a 20-year lease agreement in April 2015, to settle payments of US\$450,000 that were due in April 2016.

OPERATING ACTIVITIES

During the three months ended September 30, 2016, the Company incurred a net loss of \$315,241 (nil per share) compared to a net loss of \$483,452 (nil per share) in 2015.

Management and administration expenses of \$308,555 incurred during the three months ended September 30, 2016 consisted mostly of wages and fees to consultants of \$183,525 (\$298,014 in 2015), audit, tax and regulatory fees of \$47,637 (\$91,655 in 2015), office expenses of \$59,308 (\$63,524 in 2015), depreciation and amortization of \$8,925 (\$5,170 in 2015) and share-based compensation of \$6,053 (\$9,915 in 2015).

The payment of the compensation to the Company's directors and officers continues to be deferred and will be settled upon completion of the Offering described in the *Highlights for the Period* section.

Other items in the net loss during the three months ended September 30, 2016 included a finance expense of \$3,300 (nil in 2015) related to the funds advanced by the Company's chairman and a non-cash accretion on environmental liability of \$2,965 (\$3,908 in 2015).

LIQUIDITIES AND CAPITAL RESOURCES

At September 30, 2016, the Company had a working capital deficiency of \$5,196,822, including a balance of purchase price related to the Copperwood Project of \$1,518,610 due in June 2017 and a loan of \$453,300 from the Company's chairman, advanced during the reporting period to ensure that critical payments to maintain the Company in good standing were being made. Additional advances of \$50,000 were made subsequent to September 30, 2016. The loan from the Company's chairman bears interest at the rate of 1% per month on the principal amount. The principal amount and accrued interest will be repayable by the Company on the earlier of the completion of a financing for a minimum amount of \$10 million or upon demand at any time after June 30, 2017.

The Company's working capital deficiency at September 30, 2016 creates uncertainty regarding its ability to continue as a going concern. As described in the *Highlights of the Period* section, the Company announced on November 15, 2016 that it planned to complete the Offering to raise up to \$23 million. However, there is no assurance that the Company will be successful in raising such funds and if management is not successful in completing this Offering, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, it may be unable to complete the acquisition of the White Pine Project and / or it may have to sell some or all of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

OTHER RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2016, the Company incurred administration expenses of \$46,479 (\$113,977 in 2015), mainly for the use of office space and telecommunication services provided by Reunion Gold Corporation, a related party by virtue of common management. At September 30, 2016, the Company had an amount due to Reunion Gold Corporation of \$6,165 (\$25,543 at June 30, 2016). During the three months ended September 30, 2016, the Company recovered an amount of \$21,027 for the provision of

management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation (nil in 2015).

The remuneration awarded to key management personnel, including directors, the chairman and interim president and CEO, the executive vice-president and the CFO, during the three months ended September 30, 2016 totaled \$182,782 (\$302,345 in 2015).

RISK AND UNCERTAINTIES

The Company is subject to a number of significant risks and uncertainties which include but are not limited to its current financial situation and the requirement for additional funds to settle its obligations and commitments, and to maintain its interest in its projects and pursue its planned exploration and development activities on all of its projects. Certain risks are described in this Interim MD&A. For additional risk factors, refer to the risks and uncertainties described in the Annual MD&A.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Interim MD&A may contain “forward-looking information”, within the meaning of Canadian securities laws, about anticipated future events. Specifically, this Interim MD&A includes, but is not limited to, forward-looking information regarding: the completion of a non-brokered private placement in the amount and timing described in this MD&A; the completion of an update of the Copperwood feasibility study; the completion of the acquisition of the White Pine Project; and the settling of debts and various unpaid amounts. There can be no assurance that such forward looking information will occur for various reasons including: the Company being unable to complete the Offering as described or being unable to raise, through other means, the funds required to pursue its activities and finance its ongoing expenses due to market conditions, commodity prices or other factors; and the Company being unable to obtain all regulatory approvals and funds required to complete the acquisition of the White Pine Project. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law.

Additional Information and Continuous Disclosure

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