



CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2017 and 2016

In Canadian dollars



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Highland Copper Company Inc.

We have audited the accompanying consolidated financial statements of Highland Copper Company Inc., which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Highland Copper Company Inc. as at June 30, 2017 and 2016, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

*KPMG LLP**

October 26, 2017

Montréal, Canada

Highland Copper Company Inc.

Consolidated Statements of Financial Position

<i>(audited, in Canadian dollars)</i>	June 30, 2017	June 30, 2016	July 1, 2015
	\$	\$	\$
ASSETS		(Note 3 - restated)	(Note 3 - restated)
Current			
Cash	18,247,875	201,998	1,042,341
Sales taxes receivable	55,052	-	54,496
Prepaid expenses and other	83,420	6,233	52,441
	18,386,347	208,231	1,149,278
Non-current			
Capital assets (Note 6)	75,854	114,990	233,615
Exploration and evaluation assets (Note 7)	39,387,444	25,541,593	33,365,016
TOTAL ASSETS	57,849,645	25,864,814	34,747,909
LIABILITIES			
Current			
Accounts payable and accrued liabilities	1,945,816	3,019,495	3,146,097
Due to a related party (Note 17)	-	25,543	8,022
Current portion of note payable (Note 8)	142,747	-	-
Current portion of promissory note (Note 4)	1,083,676	-	-
Current portion of balance of purchase price payable (Note 9)	1,479,076	1,445,087	-
Deposit on sale of royalty (Note 11)	-	-	10,000,000
	4,651,315	4,490,125	13,154,119
Non-current			
Note payable (Note 8)	356,868	-	-
Promissory note (Note 4)	9,305,399	-	-
Balance of purchase price payable (Note 9)	-	1,289,355	2,207,430
Environmental liability (Note 10)	319,643	306,606	281,749
TOTAL LIABILITIES	14,633,225	6,086,086	15,643,298
SHAREHOLDERS' EQUITY			
Share capital (Note 12)	74,000,571	51,754,469	48,115,461
Contributed surplus	13,484,026	6,253,329	6,173,571
Deficit	(48,023,937)	(42,075,943)	(38,087,810)
Cumulative translation adjustment	3,755,760	3,846,873	2,903,389
TOTAL EQUITY	43,216,420	19,778,728	19,104,611
TOTAL LIABILITIES AND EQUITY	57,849,645	25,864,814	34,747,909

Going Concern (Note 2); Commitments and Contingencies (Note 7); Events after the Reporting Date (Note 24).

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

On behalf of the Board,

/s/ Denis Miville-Deschenes
Denis Miville-Deschenes, Director

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.

Consolidated Statements of Comprehensive Loss

<i>(audited, in Canadian dollars)</i>	Year ended June 30,	
	2017	2016
	\$	\$
		(Note 3 - restated)
Expenses and other items		
Exploration and evaluation (Note 14)	3,876,783	2,304,235
Management and administration (Note 15)	1,423,209	1,486,118
Business development	264,906	79,783
Write-down of exploration and evaluation assets (Note 7)	-	123,301
Accretion on environmental liability (Note 10)	11,875	15,637
Finance expense on loan from a director (Note 17)	11,497	-
Finance expense on note payable (Note 8)	22,624	-
Finance income	(52,108)	(3,930)
Loss (gain) on foreign exchange	389,208	(17,011)
Net loss for the year	(5,947,994)	(3,988,133)
Other comprehensive (loss) income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	(91,113)	943,484
Total comprehensive loss for the year	(6,039,107)	(3,044,649)
Basic and diluted loss per common share (Note 16)	(0.02)	(0.03)
Weighted average number of common shares - basic and diluted	251,264,795	147,428,215

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

Highland Copper Company Inc.

Consolidated Statements of Changes in Shareholders' Equity

<i>(audited, in Canadian dollars)</i>	Number of issued and outstanding common shares	Share capital \$	Contributed surplus \$	Deficit \$	Cumulative translation adjustment \$	Total shareholders' equity \$
				(Note 3 - restated)	(Note 3 - restated)	(Note 3 - restated)
Balance at June 30, 2016	153,968,626	51,754,469	6,253,329	(42,075,943)	3,846,873	19,778,728
Private placement (Note 12)	300,229,670	22,982,411	7,040,556	-	-	30,022,967
Share issue expenses (Note 12)	-	(1,181,675)	113,562	-	-	(1,068,114)
Debt settlement (Note 12)	4,949,857	445,367	49,619	-	-	494,986
Share-based compensation	-	-	26,960	-	-	26,960
Net loss for the year	-	-	-	(5,947,994)	-	(5,947,994)
Foreign currency translation adjustment	-	-	-	-	(91,113)	(91,113)
Balance at June 30, 2017	459,148,153	74,000,571	13,484,026	(48,023,937)	3,755,760	43,216,420
Balance at June 30, 2015	129,542,192	48,115,461	6,173,571	(38,087,810)	2,903,389	19,104,611
Private placement (Note 12)	24,426,434	3,663,965	-	-	-	3,663,965
Share issue expenses (Note 12)	-	(24,957)	-	-	-	(24,957)
Share-based compensation	-	-	79,758	-	-	79,758
Net loss for the year	-	-	-	(3,988,133)	-	(3,988,133)
Foreign currency translation adjustment	-	-	-	-	943,484	943,484
Balance at June 30, 2016	153,968,626	51,754,469	6,253,329	(42,075,943)	3,846,873	19,778,728

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

Highland Copper Company Inc.

Consolidated Statements of Cash Flows

<i>(audited, in Canadian dollars)</i>	Year ended June 30,	
	2017	2016
	\$	\$
		(Note 3 - restated)
Operating activities		
Net loss for the year	(5,947,994)	(3,988,133)
Adjustments		
Share-based compensation	26,960	79,758
Depreciation and amortization	68,444	163,871
Write-down of exploration and evaluation assets	-	123,301
Unrealized loss (gain) on foreign exchange	389,208	(17,011)
Accretion on environmental liability	11,875	15,637
Finance expense on loan from a director	11,497	-
Finance income accrued	(52,108)	(3,930)
Finance income received	39,817	4,551
Changes in other working capital items		
Sales taxes receivable	(55,052)	54,496
Prepaid expenses and other	(78,758)	46,208
Accounts payable and accrued liabilities	(526,003)	(786,396)
Due to a related party	(25,543)	17,521
	(6,137,657)	(4,290,127)
Investing activities		
Acquisition of capital assets	(28,263)	(34,947)
Disposal of capital assets	-	83,577
Additions to exploration and evaluation assets	(2,890,197)	(275,711)
	(2,918,460)	(227,081)
Financing activities		
Issue of share capital (Note 12)	30,022,967	3,663,965
Share capital issue expenses (Note 12)	(1,068,114)	(24,957)
Loan from a director (Note 17)	483,489	-
Reimbursement of balance of purchase price payable (Note 9)	(1,678,077)	-
Reimbursement of note payable (Note 8)	(252,116)	-
	27,508,149	3,639,008
Effect of exchange rate changes on cash held in foreign currency	(406,155)	37,857
Net change in cash	18,045,877	(840,343)
Cash, beginning of the year	201,998	1,042,341
Cash, end of the year	18,247,875	201,998

Supplemental cash flow information (Note 22)

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

1. GENERAL INFORMATION

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together “Highland” or the “Company”) are primarily engaged in the acquisition, exploration and development of mineral properties in Michigan, USA. The address of the Company’s registered office is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7. Highland’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol HI.

The Company has assembled a number of advanced-stage copper projects located in Michigan’s Upper Peninsula region, including the 100%-owned Copperwood project (the “Copperwood Project”), the White Pine project (subject to final closing pursuant to the May 2014 agreement with Copper Range Company (“CRC”), a wholly-owned subsidiary of First Quantum Minerals Ltd.) (the “White Pine Project”), and the Keweenaw project which hosts the 543S deposit and other target areas (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC) (the “Keweenaw Project”). Also, in May 2017, the Company acquired from subsidiaries of the Rio Tinto Group a mineral property covering approximately 448,000 acres in the Upper Peninsula region (Note 4).

To date, the Company has not earned revenues and is considered to be in the exploration and development stage. All financial results in these consolidated financial statements are expressed in Canadian dollars unless otherwise indicated.

The Board of Directors approved these consolidated financial statements on October 26, 2017.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

2. GOING CONCERN

To date, the Company has not earned revenues and is considered to be in the exploration and development stage. These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities, including raising additional funds and completing the acquisition of the White Pine Project.

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 \$5,947,994 during the year ended June 30, 2017 (\$3,988,133 in 2016) and has a deficit of \$48,023,937 at June 30, 2017 (a deficit of \$42,075,943 at June 30, 2016 taking into account the change in accounting policy described in Note 3). The Company has a working capital of \$13,735,032 at June 30, 2017.

The Company will require additional funds to settle its non-current liabilities and its other commitments described in Note 7 and to pursue exploration and development work on its mineral properties. Although 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 is no assurance that the Company will be successful in raising such funds. Should the Company not be successful in raising additional funds, it may be required to 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 consolidated financial statements, adjustments which could be material would be necessary to the carrying value of assets and liabilities, in particular an impairment of exploration and evaluation assets, as well as adjustments to reported expenses.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICY

At June 30, 2017, the Company changed its accounting policy related to exploration and evaluation expenses, which previously consisted in capitalizing all such expenditures. The Company believes that expensing certain exploration and evaluation costs as incurred provides more reliable and relevant financial information. Under the new policy, the cost of acquiring prospective properties and exploration rights continues to be capitalized and exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures incurred to develop the mine, prior to the start of mining operations.

The audited consolidated financial statements as at and for the year ended June 30, 2016 have been restated retroactively to reflect adjustments made as a result of this change in accounting policy.

Consolidated Statement of Financial Position at June 30, 2016

	As previously reported	Adjustment	Restated
	\$	\$	\$
ASSETS			
Current	208,231	-	208,231
Non-current			
Capital assets	114,990	-	114,990
Exploration and evaluation assets	53,827,188	(28,285,595)	25,541,593
TOTAL ASSETS	54,150,409	(28,285,595)	25,864,814
LIABILITIES			
Current	4,490,125	-	4,490,125
Non-current	1,595,961	-	1,595,961
TOTAL LIABILITIES	6,086,086	-	6,086,086
SHAREHOLDERS' EQUITY			
Share capital	51,754,469	-	51,754,469
Contributed surplus	6,253,329	-	6,253,329
Deficit	(17,809,014)	(24,266,929)	(42,075,943)
Cumulative translation adjustment	7,865,539	(4,018,666)	3,846,873
TOTAL EQUITY	48,064,323	(28,285,595)	19,778,728
TOTAL LIABILITIES AND EQUITY	54,150,409	(28,285,595)	25,864,814

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position at July 1, 2015

	As previously reported	Adjustment	Restated
	\$	\$	\$
ASSETS			
Current	1,149,278	-	1,149,278
Non-current			
Capital assets	233,615	-	233,615
Exploration and evaluation assets	61,568,034	(28,203,018)	33,365,016
TOTAL ASSETS	62,950,927	(28,203,018)	34,747,909
LIABILITIES			
Current	13,154,119	-	13,154,119
Non-current	2,489,179	-	2,489,179
TOTAL LIABILITIES	15,643,298	-	15,643,298
SHAREHOLDERS' EQUITY			
Share capital	48,115,461	-	48,115,461
Contributed surplus	6,173,571	-	6,173,571
Deficit	(13,592,922)	(24,494,888)	(38,087,810)
Cumulative translation adjustment	6,611,519	(3,708,130)	2,903,389
TOTAL EQUITY	47,307,629	(28,203,018)	19,104,611
TOTAL LIABILITIES AND EQUITY	62,950,927	(28,203,018)	34,747,909

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICY (continued)

Consolidated Statement of Comprehensive Loss for the year ended June 30, 2016

	As previously reported	Adjustment	Restated
	\$	\$	\$
Expenses and other items			
Exploration and evaluation	-	2,304,235	2,304,235
Management and administration	1,486,118	-	1,486,118
Business development	79,783	-	79,783
Write-down of exploration and evaluation assets	2,655,495	(2,532,194)	123,301
Accretion of environmental liability	15,637	-	15,637
Finance income	(3,930)	-	(3,930)
Gain on foreign exchange	(17,011)	-	(17,011)
Net loss for the year	(4,216,092)	227,959	(3,988,133)
Other comprehensive loss			
Item that will not be subsequently reclassified to income			
Foreign currency translation adjustment	1,254,020	(310,536)	943,484
Comprehensive loss for the year	(2,962,072)	(82,577)	(3,044,649)
Basic and diluted loss per common share	(0.03)	-	(0.03)

Consolidated Statement of Cash Flows for the year ended June 30, 2016

	As previously reported	Adjustment	Restated
	\$	\$	\$
Cash flow from operating activities	(1,173,090)	(3,117,037)	(4,290,127)
Cash flow from investing activities	(3,343,530)	3,116,449	(227,081)
Cash flow from financing activities	3,639,008	-	3,639,008
Effect of exchange rate changes on cash held in foreign currency	37,269	588	37,857
Net change on cash	(840,343)	-	(840,343)

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

4. ACQUISITION OF A MINERAL PROPERTY AND PROMISSORY NOTE

On May 30, 2017, the Company acquired from Kennecott Exploration Company and Rio Tinto Nickel Company (“RTX”), subsidiaries of the Rio Tinto Group, a mineral property covering approximately 448,000 acres in the Upper Peninsula of the State of Michigan, USA (the “UPX Property”).

The UPX Property was acquired for a total consideration of US\$18.0 million. A cash payment of US\$2.0 million was made at the acquisition date and the Company issued a US\$16 million secured non-interest bearing promissory note (the “Note”) that provides for the payment of US\$1.0 million on the first anniversary of the acquisition and US\$3.0 million on each of the second, third, fourth, fifth and sixth anniversary of the acquisition. The payments under the Note will be accelerated if Highland publicly releases a feasibility study covering any portion of the UPX Property. The Note is secured by a 1st priority security interest over the acquired property.

RTX has retained a 2% net smelter return royalty (the “NSR”) on all mineral interests. Highland has an option to buy-down half of the 2% NSR by paying US\$8 million to RTX. The option will be exercisable at any time prior to May 30, 2028.

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

Given that the Note is non-interest bearing, the Company accounted for its estimated fair value using a discount rate of 20%. The balance of the Note was determined as follows:

	Year ended June 30,
	2017
	\$
Balance, beginning of year	-
Promissory Note from RTX, discounted at the rate of 20%	10,626,663
Accretion included in exploration and evaluation assets	174,148
Effect of foreign exchange	(411,736)
Balance, end of year	10,389,075
Current liability	1,083,676
Non-current liability	9,305,399
	10,389,075

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES

a) *Statement of compliance*

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

b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis, except for the promissory note and balance of purchase price payable which are recognized at fair value.

c) *Basis of consolidation*

These consolidated financial statements include the accounts of Highland and its subsidiaries. All intercompany transactions, balances, income and expenses are eliminated upon consolidation. Highland and its subsidiaries have an annual reporting date of June 30. Details of the Company's Subsidiaries are as follows:

- Upper Peninsula Holding Company Inc. ("UPHC"); UPHC is the Company's US-based holding company, incorporated in February 2014 in the state of Delaware, USA), which in turn wholly owns the following four (4) companies;
 - Keweenaw Copper Co. ("Keweenaw"), incorporated in July 2011 in the state of Michigan, USA;
 - White Pine LLC ("WP LLC"), formed in February 2014 in the state of Delaware, USA;
 - Copperwood Resources Inc. ("CRI"), previously known as Orvana Resources US Corp., acquired in June 2014 and incorporated in the state of Michigan, USA; and
 - UPX Minerals Inc, incorporated in March 2017 in the state of Michigan, USA.

d) *Foreign currency translation*

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

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

d) *Foreign currency translation* (continued)

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

e) *Financial assets and liabilities*

Financial assets

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

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

Financial liabilities

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

f) *Capital assets*

Intangibles

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

Property, plant and equipment

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

g) Exploration and evaluation assets

Costs related to exploration and evaluation of mineral properties are recognized in profit or loss as incurred. All option and lease payments and costs of acquiring mineral rights are capitalized as exploration and evaluation assets. Exploration and evaluation assets are assessed for impairment indicators at the end of each reporting period.

Any option payments or proceeds from the sale of royalty interests received by the Company are credited to the capitalized cost of the related exploration and evaluation asset. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts with the difference recognized in profit or loss. When the technical feasibility and the commercial viability of extracting a mineral resource are demonstrable and a mine development decision has been made by the Company, exploration and evaluation assets related to the mining property are transferred as tangible assets and related development expenditures are capitalized. Before the reclassification, the related exploration and evaluation assets are tested for impairment and any impairment loss is then recognized in profit or loss.

The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, including a) the extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document; b) the results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study; c) the status of environmental permits; and d) the status of mining leases or permits.

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

h) Impairment of non-financial assets

At the end of each reporting date, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Factors which could trigger an impairment review include, but are not limited to, the expiration of the right to explore in the specific area during the period or said right will expire in the near future and is not expected to be renewed; substantive expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale due to significant negative industry or economic trends and a significant drop in commodity prices.

The recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Value in use takes into account estimated future cash flows associated with the asset, such value being discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In the case of exploration and evaluation assets, impairment reviews are carried out on a property-by-property basis, with each property representing a potential cash-generating unit. A previous impairment is reversed if the asset's recoverable amount subsequently exceeds its carrying amount.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

i) Provisions and contingent liabilities

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

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

j) *Income taxes*

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

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

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

k) *Equity*

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

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

l) Share-based payment transactions

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

m) Loss per share

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain and may require accounting adjustments based on future occurrences. Revisions to accounting estimates, judgments and assumptions are recognized in the period in which the estimate is revised and future period if the revision affects both current and future period. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

Title to mineral property interests

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

The final closing of the acquisition of the White Pine Project can only be completed once the Company has i) released Copper Range Company ("CRC") of a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality ("MDEQ"). Final closing, which initially was to occur by December 31, 2015 was extended to September 2017 and subsequent to year-end was further extended to December 15, 2017. The Company will also need to post the required financial assurance bond with the MDEQ. The Company believes that it will be able to meet these conditions. However, meeting these conditions is dependent on a number of factors, not all of which are under the Company's control, and there is no assurance that they will be met. 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 which would trigger an impairment evaluation of the related exploration and evaluation assets.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

n) Significant accounting judgments and estimates (continued)

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation activities have been conducted, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test in the year the new information becomes available.

Fair value of liabilities

The Company estimated the fair value of the non-interest bearing promissory note at June 30, 2017 and the balance of purchase price payable at June 30, 2017 and 2016 using a discounted rate of 20%, based on management's judgment of its cost of capital given that it is considered to be in the exploration and development stage.

Environmental liability

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

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 2).

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

o) Accounting standards issued but not yet applied

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

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective or early application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9, Financial Instruments

The International Accounting Standards Board ("IASB") released *IFRS 9, Financial Instruments (2014)* ("*IFRS 9*"), representing the completion of its project to replace *IAS 39, Financial Instruments: Recognition and Measurement* ("*IAS 39*"). The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new "expected credit loss model" for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company's management has yet to assess the impact of IFRS 9 on its consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on July 1, 2018.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

5. SUMMARY OF ACCOUNTING POLICIES (continued)

o) Accounting standards issued but not yet applied (continued)

IFRS 15, Revenue from Contracts with Customers

On May 28, 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. On April 12, 2016, the IASB issued *Clarifications to IFRS 15, Revenue from Contracts with Customers*, which is effective at the same time as IFRS 15. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The new standard and its clarifications becomes mandatory for financial years beginning on or after January 1, 2018. The Company intends to adopt IFRS 15 and the clarifications in its consolidated financial statements for the annual period beginning on July 1, 2018. The adoption of this standard is not expected to have a material impact in future periods until the Company commences generating revenues from its mineral properties.

IFRS 16, Leases

In January 2016, the IASB published *IFRS 16, Leases* ("*IFRS 16*") which will replace *IAS 17, Leases* ("*IAS 17*"). IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting; and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on July 1, 2019 with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

6. CAPITAL ASSETS

Capital assets subject to depreciation and amortization are presented below.

	Intangible assets	Vehicles	Computer equipment and furniture	Exploration equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
Cost						
Balance at June 30, 2015	135,256	300,595	156,605	515,368	82,114	1,189,938
Additions	-	-	34,947	-	-	34,947
Disposals	-	(218,567)	-	(52,256)	-	(270,823)
Effect of foreign exchange	2,655	10,095	5,211	17,619	2,807	38,387
Balance at June 30, 2016	137,911	92,123	196,763	480,731	84,921	992,449
Additions	-	-	1,725	-	26,538	28,263
Write-down	(79,706)	-	(108,244)	(212,015)	(85,316)	(485,281)
Effect of foreign exchange	374	582	(425)	2,476	(190)	2,817
Balance at June 30, 2017	58,579	92,705	89,819	271,192	25,953	538,248
Accumulated depreciation and amortization						
Balance at June 30, 2015	107,002	233,705	144,625	388,877	82,114	956,323
Disposals	-	(218,567)	-	(52,256)	-	(270,823)
Depreciation and amortization	28,131	38,775	28,279	68,686	-	163,871
Effect of foreign exchange	2,384	6,833	4,537	11,527	2,807	28,088
Balance at June 30, 2016	137,517	60,746	177,441	416,834	84,921	877,459
Write-down	(79,706)	-	(108,244)	(212,015)	(85,316)	(485,281)
Depreciation and amortization	393	25,429	17,594	25,028	-	68,444
Effect of foreign exchange	375	(233)	(392)	1,627	395	1,772
Balance at June 30, 2017	58,579	85,942	86,399	231,474	-	462,394
Carrying amounts						
Balance at June 30, 2015	28,254	66,890	11,980	126,491	-	233,615
Balance at June 30, 2016	394	31,377	19,322	63,897	-	114,990
Balance at June 30, 2017	-	6,763	3,420	39,718	25,953	75,854

Included in capital assets are assets with a carrying amount of \$1,710 at June 30, 2017 (\$15,469 at June 30, 2016) for use at the Company's corporate office. All other capital assets relate to the Company's exploration activities.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets, after taking into account the change in accounting policy described in Note 3, are as follows:

	Copperwood Project	White Pine Project	UPX Property	Other properties	Total
	\$	\$	\$	\$	\$
			(Note 4)		
Restated balance, June 30, 2015	29,220,203	3,116,386	-	1,028,427	33,365,016
Property payments in cash	146,605	596,981	-	29,815	773,401
Write-down	-	-	-	(123,301)	(123,301)
Conversion of loan into NSR royalty	(10,000,000)	-	-	-	(10,000,000)
Finance expense	463,755	-	-	-	463,755
Effect of foreign exchange	982,890	74,215	-	5,617	1,062,722
	(8,406,750)	671,196	-	(87,869)	(7,823,423)
Restated balance, June 30, 2016	20,813,453	3,787,582	-	940,558	25,541,593
Property payments in cash	146,638	199,039	13,340,196	32,393	13,718,266
Finance expense	373,356	-	174,148	-	547,504
Effect of foreign exchange	85,226	10,953	(515,893)	(205)	(419,919)
	605,220	209,992	12,998,451	32,188	13,845,851
Balance, June 30, 2017	21,418,673	3,997,574	12,998,451	972,746	39,387,444

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Copperwood Project, Michigan, USA

In June 2014, the Company acquired the Copperwood Project through the acquisition from Orvana Minerals Corp., a TSX-listed company ("Orvana"), of all of the outstanding shares of Copperwood Resources Inc. ("CRI"), previously known as Orvana Resources US Corp. As part of the acquisition of the Copperwood Project, the Company paid in cash as additional consideration an amount of US\$1,250,000 on June 17, 2017 and is required to pay in cash or shares of Highland, at Orvana's option, an additional amount of US\$1,250,000 on June 17, 2018. The fair value of the amount due in 2018, which was accounted for as "Future Consideration", is described in Note 9.

An additional amount of US\$1,250,000 may also be payable if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than US\$4.25/lb; and an additional amount of US\$1,250,000 may be payable if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than US\$4.50/lb (for a total of US\$2,500,000 accounted for as a "Contingent Consideration"). The contractual Contingent Consideration 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 rental payments until 2036. The mineral leases are also subject to quarterly Net Smelter Return ("NSR") royalty payments that will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. Under the mineral leases, Orvana US will have mineral rights until the later of the 20th anniversary of the date of the lease or the date Orvana US ceases to be actively engaged in development, mining, or related operations on the property. The mineral leases may be terminated by CRI, the Company's wholly owned subsidiary, on 60 days' notice.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project, Michigan, USA

On May 13, 2014 (the interim closing date), the Company acquired from 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, was extended to September 2017 and subsequent to year-end was further extended to December 15, 2017. Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project.

Until final closing, Highland has access to White Pine under an access agreement entered into on March 5, 2014, which entitles it to perform exploration, engineering and environmental studies and other activities associated with the potential development of a new copper mine at White Pine, and CRC continues to be responsible for environmental obligations and for remediation work up to a maximum of US\$2 million.

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 as additional consideration, in cash or in common shares of Highland, at the option of CRC, an amount equal to US\$0.005 (one half of one cent) per pound for the first 1 billion pounds of proven and probable reserves of copper and US\$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper (the "Contingent Consideration"). At June 30, 2017, the Company has not yet estimated any proven and probable reserves at the White Pine Project and has not yet completed a feasibility study or initiated the activities required to obtain the necessary permits. Consequently, the Company has not yet accounted for this contractual contingent liability.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Lease Agreement, White Pine, Michigan, USA

In April 2015, the Company entered into a 20-year lease agreement, with an option for an additional 5 years, for certain mineral rights located in White Pine, Michigan. In accordance with the terms of the agreement with the holder of the mineral rights (the "Lessor"), an additional cash payment of US\$575,000 was to be made to the Lessor by the Company, including US\$425,000 payable in April 2016 and US\$150,000 due in April 2017. On December 30, 2016, the Company entered into an amended agreement with the Lessor providing a revised schedule of payments for the US\$575,000 amount owed to the Lessor, including the April 2016 payment which had not yet been made at that date, as described in Note 8 below.

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

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

UPX Property

Details of the May 2017 acquisition of the UPX Property are described in Note 4.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Other properties

Under a Mining Venture Agreement (the "Venture Agreement") with BRP dated July 2011 and subsequently amended on May 30, 2012, on April 29, 2013 and on November 20, 2015, the Company has an option to acquire a 65 percent interest in the Keweenaw Project by spending US\$11,500,000 in exploration work, providing a feasibility study by December 31, 2017 (amended from October 26, 2015 as part of the November 20, 2015 amendment) and securing some of the historical shafts located on the Keweenaw region. At June 30, 2017, The Company had spent the minimum amount required on the Keweenaw Project. Upon providing a feasibility study and exercising the option, the Company will have a 65% interest and BRP will have a 35% interest in the property. In addition, BRP will be entitled to a sliding scale NSR royalty from production on those properties contributed by BRP based on the price per pound of copper with a minimum of 2% up to a maximum of 5%. For other properties, BRP will be entitled to a 1% NSR. The Company recorded a write-down of exploration and evaluation assets of \$55,781 during the year ended June 30, 2016 related to the G-2 project. The amount capitalized on the G-2 project was written-down to nil given that the exploration work conducted in the past has not led to the discovery of commercially viable quantities of mineral resources and the Company does not intend to conduct further activities on the G-2 project in the near term.

In December 2012, the Company entered into a lease agreement with a Michigan corporation for the exploration and development of mineral properties in the Upper Peninsula of the State of Michigan, which lease agreement was subsequently amended in September 2016 following the non-renewal of a portion of the leased area. The lease has a primary term of 10 years and may be extended for an additional 10 years under certain conditions. The Company paid an amount of US\$22,400 as rent during the year ended June 30, 2017 (US\$21,000 in 2016). The Company recorded a write-down of exploration and evaluation assets of \$67,520 during the year ended June 30, 2016 related to the leased properties. The Company wrote-down to nil the portion of the leased properties which was not renewed.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

8. NOTE PAYABLE

On December 30, 2016, the Company entered into an amended agreement with the Lessor of certain mineral rights located in White Pine, Michigan (Note 7 - *Lease Agreement, White Pine, Michigan, USA*) for the remaining amount of US\$575,000 owed to the Lessor. Under the terms of the amended agreement, the Company paid an amount of US\$135,000 on December 30, 2016 and agreed to pay the balance of US\$440,000 in sixteen equal quarterly principal amounts of US\$27,500, plus interest accruing at the rate of 8% per annum. Quarterly payments were made on March 30, 2017 and June 30, 2017 and subsequent quarterly payments are due on September 30, December 30, March 30 and June 30 of each year until fully paid.

The balance of the Note Payable was determined as follows:

	Year ended June 30,	
	2017	2016
	\$	\$
Balance, beginning of year	-	-
Conversion of accounts payable to note payable	560,788	-
Addition	201,406	-
Reimbursements	(252,116)	-
Effect of foreign exchange	(10,463)	-
Balance, end of year	499,615	-
Current liability	142,747	-
Non-current liability	356,868	-
	499,615	-

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

9. BALANCE OF PURCHASE PRICE PAYABLE

In connection with the acquisition of the Copperwood Project, the Company accounted for the estimated fair value of the Future Consideration using a discount rate of 20%. The remaining amount payable of US\$1,250,000 as Future Consideration is due on June 17, 2018 and may be paid by Highland to Orvana in cash or shares of Highland, at Orvana's option.

The balance of purchase price payable is as follows:

	Year ended June 30,	
	2017	2016
	\$	\$
Balance, beginning of year	2,734,442	2,207,430
Accretion included in exploration and evaluation assets	373,356	463,755
Reimbursement	(1,678,077)	-
Effect of foreign exchange	49,355	63,257
Balance, end of year	1,479,076	2,734,442

	June 30,	June 30,
	2017	2016
	\$	\$
Current portion	1,479,076	1,445,087
Non-current portion	-	1,289,355
	1,479,076	2,734,442

10. ENVIRONMENTAL LIABILITY

The environmental liability consists of a provision for reclamation costs related to the acquisition of the White Pine Project (Note 7). The undiscounted cash flow amount of the liability was estimated at \$369,000. The present value of the liability was calculated using a discount rate of 8.0% and reflecting payments to be made from 2018 to 2027, inclusively.

	Year ended June 30,	
	2017	2016
	\$	\$
Balance, beginning of year	306,606	281,749
Accretion expense	11,875	15,637
Effect of foreign exchange	1,162	9,220
Balance, end of year	319,643	306,606

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

11. DEPOSIT ON SALE OF ROYALTY

On June 30, 2016, the Company and Osisko Gold Royalties Ltd. ("Osisko") agreed to amend the terms of their agreement entered into in December 2014 and to convert the \$10 million deposit on sale of royalty into a 3.0% net smelter return ("NSR") royalty on all metals produced from the mineral rights and leases associated with the Copperwood Project. The amendment also provides that upon final closing of the acquisition of the White Pine Project, the Company will grant Osisko a 1.5% NSR royalty on all metals from the White Pine North Project, and Osisko's royalty on the Copperwood Project will be reduced to 1.5%. Osisko retains security over all of the Company's assets. On June 30, 2016, the amount of \$10 million was recorded as a reduction of the carrying amount of the related exploration and evaluation assets (Note 7).

Option to purchase future silver production

In December 2014, the Company also granted to Osisko an option to purchase for US\$26 million a 100% NSR on any future silver production from the Company's projects, including White Pine, Copperwood and Keweenaw (the "Michigan Projects"). Osisko may elect to exercise the option to purchase the silver production by paying US\$26 million to the Company within 60 days following the delivery to Osisko of a feasibility study on the Michigan Projects.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

12. SHARE CAPITAL

Authorized

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

Issuance of common shares

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

As part of the Financing, Greenstone Resources II LP ("Greenstone") and OMF Fund II (H) LP, a subsidiary of Orion Mine Finance ("Orion"), acquired such number of units resulting in Greenstone and Orion holding respectively 17.5% and 14.6% of the issued and outstanding common shares of the Company. Greenstone and Orion each received participation rights to maintain their equity ownership level in future equity financings. Greenstone also received nomination rights for the sale of Highland's production pro-rata to its shareholding, and Orion entered into an offtake agreement with the Company entitling Orion to purchase 15% of all concentrates to be produced at the Copperwood Project. Orion also received a right of first refusal on any debt financing for the Copperwood project until September 17, 2018, excluding any royalty or stream financings. Osisko continues to have the right of first refusal on any other debt financing entered into by the Company.

As part of the Financing, the Company paid finders' fees totaling \$948,129 and granted 1,000,000 compensation warrants exercisable into 1,000,000 common shares at an exercise price of \$0.15 per share expiring on March 17, 2020. The fair value of the compensation warrants, estimated at \$113,562 and presented as share issue expenses, was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.75%, an expected life of three years, an annualized volatility of 100% and a dividend rate of 0%. The Company also incurred other share issue expenses of \$119,985.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

12. SHARE CAPITAL (continued)

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

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. The Company incurred share issue expenses of \$24,957 in connection with the private placement.

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

Share purchase warrants

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

	Year ended June 30,	
	2017	2016
Number of warrants		
Balance, beginning of year	56,455,373	56,455,373
Granted	153,589,762	-
Expired	(56,455,373)	-
Balance, end of year	153,589,762	56,455,373

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

12. SHARE CAPITAL (continued)

The following table reflects the number of issued and outstanding share purchase warrants at June 30, 2017:

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

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

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

13. STOCK OPTIONS

The following table sets out the activity in stock options:

	Year ended June 30, 2017		Year ended June 30, 2016	
	Number	Average exercise price (\$)	Number	Average exercise price (\$)
Number of options				
Balance, beginning of year	7,522,000	0.48	7,597,000	0.49
Granted	-	-	200,000	0.13
Expired	(67,000)	(0.43)	(275,000)	(0.40)
Balance, end of year	7,455,000	0.48	7,522,000	0.48

On November 20, 2015, the Company granted 200,000 stock options to a director of the Company. The stock options have a five year term and are exercisable at a price of \$0.13 per share. The stock options granted will vest over a two-year period. The fair value of the stock options was estimated at \$0.11 per option by applying the Black-Scholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 0.93%, a volatility rate of 136% and a 0% dividend factor.

The following table reflects the stock options issued and outstanding at June 30, 2017:

Issue date	Number of options	Exercise price	Remaining contractual life	Number of exercisable options	Exercise price of exercisable options
		\$	(years)		\$
July 6, 2012	400,000	0.50	0.0	400,000	0.50
November 5, 2012	3,740,000	0.60	0.3	3,740,000	0.60
August 1, 2014	1,400,000	0.50	2.1	1,400,000	0.50
April 21, 2015	1,715,000	0.25	2.8	960,000	0.25
November 20, 2015	200,000	0.13	3.4	133,333	0.13
	7,455,000	0.48	1.3	6,633,333	0.51

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

14. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Year ended June 30,	
	2017	2016
	\$	\$
		(Note 3)
Drilling and assaying	1,529,178	-
Labour	1,138,197	1,217,610
Studies	547,414	554,438
Office, overhead and other administrative costs	599,152	460,543
Gain on disposal of capital assets	-	(83,577)
Depreciation and amortization	52,960	123,669
Share-based compensation	9,882	31,552
	3,876,783	2,304,235

15. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Year ended June 30,	
	2017	2016
	\$	\$
Administrative and general	929,797	858,049
Office	151,471	237,159
Professional fees	184,892	260,796
Investor relations and travel	95,635	24,128
Reporting issuer costs	28,852	17,578
Share-based compensation	17,078	48,206
Depreciation and amortization	15,484	40,202
	1,423,209	1,486,118

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

16. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2017 was based on the loss attributable to common shareholders of \$5,947,994 (\$3,988,133 in 2016) and the weighted average number of common shares outstanding of 251,264,795 (147,428,215 in 2016). Excluded from the calculation of the diluted loss per share for the year ended June 30, 2017 are 153,589,762 share purchase warrants and 7,455,000 stock options (56,455,373 share purchase warrants and 7,522,000 stock options in 2016) because to include them would be anti-dilutive as they would have the effect of decreasing the loss per share.

17. RELATED PARTY TRANSACTIONS

The detail of transactions between the Company and its related parties, in addition to the loan settlement transaction described in Note 12, are as follows:

During the year ended June 30, 2017, the Company incurred administration expenses of \$100,998 from Reunion Gold Corporation, a related party by virtue of common key management and directors (administration expenses of \$270,658 and the purchase of office furniture and computer equipment for an amount of \$31,681 from Reunion Gold Corporation in 2016). At June 30, 2017, the Company had an amount due to Reunion Gold Corporation of nil (\$25,543 at June 30, 2016).

During the year ended June 30, 2017, the Company recovered amounts of \$152,514 for management services to other TSXV-listed companies, related by virtue of common key management, including Odyssey Resources Limited and Reunion Gold Corporation (an amount of \$120,810 was recovered during the year ended June 30, 2016). The services are provided at cost.

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

Settlement payment to the Company's former president and CEO

In March 2017, the Company paid to its former president and CEO an amount of US\$150,000 as full and final settlement of all unpaid amounts related to his employment with the Company due at the date of his resignation in February 2016, in accordance with a settlement agreement entered into at that time.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

17. RELATED PARTY TRANSACTIONS (continued)

Remuneration of directors and key management of the Company

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

	Year ended June 30,	
	2017	2016
	\$	\$
Management and administration expenses	670,202	627,004
Exploration and evaluation expenses	249,506	234,710
Share-based compensation included in management and administration expenses	15,090	41,773
Share-based compensation included in exploration and evaluation expenses	2,840	9,190
	937,638	912,677

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

18. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

	Year ended June 30,			
	2017		2016	
		\$		\$
				(Note 3)
Loss before income tax		(5,947,994)		(3,988,133)
Tax using the Company's domestic tax rate	26.90%	(1,600,011)	26.90%	(1,072,808)
Share-based compensation	(0.08%)	4,594	(0.54%)	21,455
Non-deductible expenses and non-taxable revenues	(0.00%)	111	(0.00%)	263
Effect of tax rate in foreign jurisdictions	7.85%	(467,080)	6.62%	(263,884)
Unrecognized tax assets	(34.20%)	2,034,256	(54.53%)	2,174,648
Impact of newly-enacted tax rates	(0.85%)	50,430	-	-
Other	0.38%	(22,300)	21.55%	(859,674)
Deferred income tax	-	-	-	-

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

	June 30, 2017		
	Assets	Liabilities	Net
	\$	\$	\$
Advances in foreign currency	-	(436,015)	(436,015)
Non-capital loss carry-forwards	442,596	-	442,596
	442,596	(436,015)	6,581
Offsetting of tax assets and liabilities	(442,596)	436,015	(6,581)
	-	-	-
	June 30, 2016		
	Assets	Liabilities	Net
	\$	\$	\$
Advances in foreign currency	-	(641,005)	(641,005)
Non-capital loss carry-forwards	641,005	-	641,005
	641,005	(641,005)	-
Offsetting of tax assets and liabilities	(641,005)	641,005	-
	-	-	-

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

18. INCOME TAXES (continued)

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

	June 30, 2017		
	Canada	USA	Total
	\$	\$	\$
Non-capital loss carry-forwards	9,359,000	18,218,000	27,577,000
Capital assets	95,590	410,280	505,870
Exploration and evaluation assets	2,006,474	11,363,923	13,370,397
Share issue expenses	1,104,513	-	1,104,513
Financing expenses	47,552	-	47,552
	12,613,129	29,992,203	42,605,332

	June 30, 2016		
	Canada	USA	Total
	\$	\$	\$
Non-capital loss carry-forwards	7,162,000	18,308,000	25,470,000
Capital assets	80,106	514,726	594,832
Exploration and evaluation assets	2,006,474	16,021,650	18,028,124
Share issue expenses	451,895	-	451,895
Financing expenses	71,329	-	71,329
	9,771,804	34,844,376	44,616,180

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

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

18. INCOME TAXES (continued)

Non-capital losses expire as follows:

	Canada	USA
	\$	\$
2026	103,000	-
2027	120,000	-
2028	304,000	-
2029	538,000	-
2030	744,000	-
2031	951,000	-
2032	1,370,000	-
2033	96,000	-
2034	1,136,000	1,618,000
2035	2,466,000	9,862,000
2036	1,034,000	1,429,000
2037	497,000	5,309,000
	9,359,000	18,218,000

19. CAPITAL MANAGEMENT

The Company defines capital that it manages as loans (including note payable, promissory note and balance of purchase price payable) and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. As at June 30, 2017, managed capital was \$55,584,186 (\$22,513,170 at June 30, 2016).

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flows. The Company intends to raise such funds as and when required to complete the exploration and development of its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the sale of equity capital of the Company, the exercise of outstanding warrants or stock options, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. There were no changes in the Company's approach to capital management during the year ended June 30, 2017. The Company is not subject to any externally imposed capital requirements as at June 30, 2017.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

20. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the financial objectives, policies and processes during the year ended June 30, 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for its continued operations as the Company generates cash flow from its financing activities (Note 2).

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2017:

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,945,816	1,945,816	885,936	1,059,880	-	-
Note payable	499,615	499,615	71,374	71,373	285,495	71,373
Promissory note	10,389,075	20,763,200	-	1,297,700	7,786,200	11,679,300
Balance of purchase price payable	1,479,076	1,622,125	-	1,622,125	-	-
	14,313,582	24,830,756	957,310	4,051,078	8,071,695	11,750,673

Credit risk

Credit risk is the risk that the Company will incur losses due to the non-payment of contractual obligations by third parties. The Company is exposed to credit risk with respect to cash.

Interest rate risk

The Company's interest risk relates to cash. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest bearing accounts with a major Canadian-based chartered bank. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$182,000.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

20. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

In the normal course of operations, the Company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of each of the entities within the consolidated group. The currencies in which these transactions are denominated are primarily the Canadian and the US dollar. The consolidated entity seeks to minimise its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions are entered into at spot rates. The Board considers this policy appropriate, taking into account the consolidated entity's size, current stage of operations, financial position and the Board's approach to risk management. At June 30, 2017, financial assets and liabilities denominated in a foreign currency consisted of cash of \$8,734,211 and accounts payable and accrued liabilities of \$207,652. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately \$853,000.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts payable and accrued liabilities and due to a related party are considered to be a reasonable approximation of fair value due to their immediate or short-term maturity. The fair value of the note payable is considered to be a reasonable approximation of fair value as it bears interest at a rate negotiated between the parties. The fair value of the promissory note and the balance of purchase price payable were determined based on discounted cash flows using a rate of 20% (20% at June 30, 2016 for the determination of the balance of purchase price payable), a rate similar to other debt instruments at the date of the consolidated statement of financial position.

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

22. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended June 30,	
	2017	2016
	\$	\$
Non-cash items		
Change in payables and accruals related to exploration and evaluation assets	-	(386,760)
Reclassification of accounts payable to note payable	560,788	-
Note payable related to exploration and evaluation assets	201,406	-
Promissory note related to exploration and evaluation assets	10,626,663	-
Accretion on balance of purchase price payable included in exploration and evaluation assets	547,504	463,755
Osisko deposit on sale of royalty presented as a reduction of exploration and evaluation assets	-	10,000,000
Loan from a director settled by the issue of shares and warrants	494,986	-

23. SEGMENTED INFORMATION

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

	June 30, 2017		
	Canada	USA	Total
	\$	\$	\$
Current assets	18,268,175	118,172	18,386,347
Capital assets	1,710	74,144	75,854
Exploration and evaluation assets	-	39,387,444	39,387,444
Total assets	18,269,885	39,579,760	57,849,645

	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	-	25,541,593	25,541,593
Total assets	198,384	25,666,430	25,864,814

(Note 3)

Highland Copper Company Inc.

Notes to Consolidated Financial Statements

June 30, 2017 and 2016 (audited, in Canadian dollars)

24. EVENTS AFTER THE REPORTING DATE

Grant of stock options

On August 29, 2017, the Company granted a total of 9,025,000 incentive stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.11 per share and on October 26, 2017, the Company granted a total of 2,070,000 incentive stock options to directors, officers and employees of the Company at an exercise price of \$0.17 per share. All of the stock options will be vesting over a period of two years and, if not exercised, will expire five years from the date of the grant.



MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended June 30, 2017

HIGHLAND COPPER COMPANY INC.
**MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS FOR THE
YEAR ENDED JUNE 30, 2017**

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Highland Copper Company Inc. ("Highland" or the "Company"), dated October 26, 2017, covers the years ended June 30, 2017 and 2016 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2017 and 2016 (the "June 30, 2017 and 2016 consolidated financial statements"). The June 30, 2017 and 2016 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise indicated.

Description of Business

Highland is a Canadian-based company engaged in the acquisition, exploration and development of mineral properties. The Company's mineral projects are located in the State of Michigan, USA.

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 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). Also, in May 2017, the Company acquired from subsidiaries of the Rio Tinto Group a mineral property covering approximately 448,000 acres in the Upper Peninsula region. The acquisition of this property establishes Highland as a dominant mining exploration and development company in the Upper Peninsula of Michigan.

Highland was incorporated under the *Business Corporations Act (British Columbia)* in 2006. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. On October 23, 2017, the Company's common shares started trading on the OTCQB Venture Marketplace (the "OTCQB"), a U.S. trading platform that is operated by the OTC Markets Group in New York. The Company trades on the OTCQB under symbol "HDRSF".

At October 26, 2017, the Company has 459,148,153 common shares and 153,589,762 share purchase warrants issued and outstanding.

Financing

On March 24, 2017, the Company completed a private placement raising a total of \$30,022,967 by issuing 300,229,670 units (the "Units") at \$0.10 per Unit (the "Offering"). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable to acquire one common share at \$0.15 for a period of 12 months. The Offering was completed in four tranches, with closing dates of November 30, 2016, February 22, 2017, March 17, 2017 and March 24, 2017. In connection with the Offering, the Company paid finders' fees of \$948,129 and issued 1,000,000 compensation warrants allowing the holder to acquire 1,000,000 common shares of the Company at a price of \$0.10 until March 17, 2020.

As part of the Offering, Osisko Gold Royalties Ltd. ("Osisko") acquired a total of 43,000,000 Units, which combined with its previous holding now holds 15.2% of the issued and outstanding common shares in Highland. Greenstone Resources II LP ("Greenstone") acquired 80,700,000 Units and OMF Fund II (H) LP, a subsidiary of Orion Mine Finance ("Orion"), acquired 67,250,000 Units resulting in Greenstone and Orion holding respectively 17.5% and 14.6% of Highland's issued and outstanding common shares. Greenstone and Orion received participation rights to maintain their equity ownership level in future equity financings and a right to nominate a representative on a project steering committee. Greenstone also received nomination rights for the sale of Highland's production pro-rata to its shareholding, and Orion entered into an offtake agreement with the Company entitling Orion to purchase 15% of all concentrates to be produced at the Copperwood project. Orion also received a right of first refusal on any debt financing for the Copperwood project until September 17, 2018, excluding any royalty or stream financings. Osisko continues to have a right to maintain its equity ownership in future issuances of securities and a right of first refusal on any other future debt financing.

Copperwood Project

In June 2014, the Company acquired 100% of the Copperwood Project from Orvana for a cash consideration of US\$20 million. As part of the acquisition of the Copperwood Project, the Company paid in cash as additional consideration an amount of US\$1.25 million on June 17, 2017 and is required to pay in cash or shares of Highland, at Orvana's option, an additional amount of US\$1.25 million on June 17, 2018. 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.

The Copperwood deposit is located in Gogebic County in the Upper Peninsula of Michigan, USA within the Keweenaw copper district and about 35 kilometers west of the White Pine property. The Copperwood Project is comprised of long-term mineral leases covering an aggregate of 4,707 acres and options to lease for an additional 1,470 acres.

Copperwood Project Feasibility Study

In May 2017, the Company initiated the work required to update the 2012 feasibility study prepared by Orvana ("FS Update") on the Copperwood Project. The Company expects to release the results of the FS Update in the second quarter of 2018 and aims to complete the necessary permitting and financing for the development of the Copperwood Project in the first half of 2018 with construction planned to begin in the second half of 2018.

The Company engaged G Mining Services Inc. ("G Mining") as lead consultant for the preparation of the FS Update. G Mining is also responsible for mineral resource modelling and estimation and for the development of the mining plan using a mine throughput of 6,000 tonnes per day, and a room-and-pillar mining method as the base case. Alternative mining scenarios are also being evaluated. Mine design is being carried out by G Mining with geotechnical support from Golder Associates, using results from additional geotechnical holes drilled on all mineralized zones earlier in 2017.

Design of the processing facility is being completed by Lycopodium Minerals Canada of Toronto. Design of the tailings facility and water management systems is being done by Golder Associates, who had been involved in the previous studies at

Copperwood. A thorough metallurgical test program is being completed at SGS Lakefield in Ontario, Canada on samples from all mineralized zones.

Infrastructure studies, including transportation, are being done internally and the Company has recently submitted a grant application for funding the upgrade of County road 519. Various power alternatives are also being studied, including a trade-off analysis to compare the cost of bringing a powerline to site versus on-site natural gas generation, as a gas line is available close-by in the town of Wakefield. Raw water is available from nearby municipalities and the Company is also considering a water wells alternative.

A portion of the environmental permitting applications is being handled internally, but the permitting lead and coordination is being performed by Foth Infrastructure and Environment, a Wisconsin-based engineering firm with solid experience in Michigan and the region.

Copperwood Project Updated Resource Estimate

On October 19, 2017, the Company reported an updated mineral resource estimate for the Copperwood Project, as shown in the table below. The updated resource estimate was prepared by G Mining. The updated resource estimate represents a 46% increase in the Measured and Indicated Resources categories compared to the previous resource estimate dated April 15th, 2015. This updated resource estimate provides a solid base for the FS Update described above. G Mining used the results of the 2017 drilling program to update the 2015 resource estimate that had been reported in a NI 43-101 technical report.

The 2017 drilling program consisted of 32 HQ-diameter and three PQ-diameter drill holes for a total of 6,784 meters of core or approximately 74% of the planned 44-hole, 9,198 meters core drilling program. The drilling provided 527 samples for copper and silver assaying and 607 kg of materialized material for metallurgical testing. The remaining 12 in-fill resource drill holes in the Section 5 area, at the eastern edge of the deposit, were not completed due to an early spring thaw. The 2017 drill program was designed to upgrade the current inferred mineral resources at the eastern section of the deposit, obtain metallurgical samples and carry out geotechnical studies to refine the mining plan. All of these objectives were realized and every drill hole intersected copper-silver mineralization, as expected.

The drilling at the Copperwood "main zone" at the western section of the deposit, along with Section 6, has now been completed. Samples for the available drill holes were sent for assay to Activation Laboratories, Thunder Bay, Ontario, and all samples for geotechnical and metallurgical testing have been shipped to specialized laboratories.

The updated resource estimate is based on 2,738 assay results from 359 diamond drill holes totaling 66,577 meters, drilled by four companies between 1956 and 2017. The conversion of Indicated Resources into Measured Resources was robust including the zones drilled in 2017.

Copperwood Project - Mineral Resource Estimate – October 18, 2017

Deposits	Resource Category	Tonnage (Mt)	Copper Grade (%)	Silver Grade (g/t)	Copper Contained (M lbs)	Silver Contained (M oz)
Copperwood LCBS	Measured	26.8	1.69	4.59	1,000	4.0
	Indicated	11.6	1.50	2.68	383	1.0
	M + I	38.4	1.63	4.02	1,383	5.0
	Inferred	4.6	1.36	1.69	138	0.3
Copperwood UCBS	Measured	-	-	-	-	-
	Indicated	4.1	1.19	3.33	107	0.4
	M + I	4.1	1.19	3.33	107	0.4
	Inferred	0.3	1.05	3.23	8	0.0
Satellite LCBS	Inferred	33.2	1.21	2.37	885	2.5
Satellite UCBS	Inferred	6.1	1.15	4.75	155	0.9

Notes

- (1) Mineral Resources are reported using a copper price of US\$ 3.00/lb and a silver price of US\$ 18/oz.
- (2) A payable rate of 96.5% for copper and 90% for silver was assumed
- (3) The 2012 Copperwood feasibility study by Orvana Minerals Corp. reported metallurgical testing with recovery of 86% for copper and 50% for silver
- (4) Cut-off grade of 1.0% copper was used, based on an underground "room and pillar" mining scenario
- (5) Operating costs are based on a processing plant located at the Copperwood site
- (6) An NSR sliding scale royalty is applicable and equivalent to 3.0% at US\$ 3.00/lb
- (7) Measured, Indicated and Inferred Mineral Resources have a drill hole spacing of 175 m, 250 m, and 350 m, respectively
- (8) No mining dilution and mining loss were considered for the Mineral Resources
- (9) Rock bulk densities are based on rock types
- (10) Classification of Mineral Resources conforms to CIM definitions
- (11) The qualified person for the estimate is Mr. Réjean Sirois, P. Eng, Vice President Geology and Resources for G Mining Services Inc. The estimate has an effective date of October 18, 2017
- (12) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues
- (13) LCBS: Lower Copper Bearing Sequence
- (14) UCBS: Upper Copper Bearing Sequence
- (15) The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as Indicated or Measured Mineral Resources.

Acquisition of the UPX Property from Rio Tinto

In May 2017, UPX Minerals Inc. ("UPX"), a wholly owned subsidiary of Highland, acquired from Kennecott Exploration Company and Rio Tinto Nickel Company ("RTX"), subsidiaries of the Rio Tinto Group, a mineral property located in central Upper Peninsula of Michigan. The property is comprised of non-contiguous mineral rights covering approximately 1,800 square kilometers (448,000 acres) (the "UPX Property").

The consideration for the acquisition of the UPX Property was US\$18.0 million of which US\$2.0 million was paid at closing and UPX issued a US\$16 million secured non-interest bearing promissory note (the "Note") that provides for the payment of US\$1.0 million on the first anniversary of the acquisition and US\$3.0 million on each of the second, third, fourth, fifth and sixth anniversary dates of the acquisition. The payments under the Note will be accelerated if Highland publicly releases a feasibility study covering any portion of the UPX Property. The Note is secured by a first priority security interest over the acquired property.

RTX has retained a 2% net smelter return royalty (the "NSR") on all mineral interests. Highland has an option to buy-down half of the 2% NSR by paying US\$8 million to RTX. The option will be exercisable at any time prior to May 30, 2028.

In addition to the UPX Property, the acquisition includes all geological, geophysical, geochemical, environmental and other technical information related to the property including maps, geophysical and geochemical surveys, drill core, and other technical and operational information generated by RTX.

The UPX Property package covers the extension into Michigan of the Wawa-Abitibi geological Sub-province, which is part of the Superior Province of the Canadian Shield. The Superior Province is a geologically distinct Archean (>2.5 billion years old) province that stretches from Quebec through Ontario and into Minnesota and Michigan in the US and is well known for its mineral endowment.

Since 2003, the UPX Property has been subject to over 69,500 line-miles of detailed airborne geophysical surveys as well as 147 diamond drill holes. Almost all of the RTX exploration effort was focused on Ni-Cu targets and the program ultimately led to the discovery of the Eagle Mine. Although exploration for deposits of other commodities was limited, the potential for several mineral deposit types have been identified, including nickel-copper massive sulphides in Mesoproterozoic rocks, orogenic gold in Archean greenstone belts and zinc-copper in Paleoproterozoic sediments. The Archean and Proterozoic rock assemblages are separated by the Great Lakes Tectonic zone, a large crustal boundary that in the Marquette area is 2.4 km wide. The Company believes that the UPX Property offers the opportunity to build a pipeline of mineral projects that could be developed in the future.

Exploration work planned for the next 12 months includes compilation of all available data to better understand the potential of the property. The work program will also include field mapping and soil surveys along with ground geophysics. A re-interpretation of available geophysical data will also be carried out with emphasis on the understanding of the various geological environments. Budgeted expenditures for this exploration phase are approximately US\$1.5 million. Some targets may be ready for drill testing in 2018. Once the initial compilation work has been completed on the UPX Property and targets have been prioritized, a strategic decision will be taken regarding which portion of the UPX Property could be explored under arrangements with potential joint venture partners.

White Pine North Project

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

The final closing of the acquisition will be completed once Highland has (i) released CRC for a US\$2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine mine site in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and (ii) released CRC from its environmental obligations with the MDEQ. At that time, Highland will assume all of CRC's environmental liabilities related to the former White Pine mine site and will also be responsible for all on-going environmental obligations. Highland and CRC recently agreed to extend the period to complete the acquisition of the White Pine property to December 15, 2017.

CRC acquired the original White Pine mine in 1937. Subsequent drilling revealed the widespread nature of the mineralization and underground mining by room and pillar methods began in 1952. Production from 1952 to 1995 was 198,070,985 short tons of ore averaging 1.14% copper for approximately 4.5 billion pounds of copper. In 1995, as a result of depressed copper prices, CRC, then a subsidiary of Inmet Mining Corporation, closed the White Pine mine, although significant amounts of mineralization remained, particularly to the northeast of the mine, referred to as the White Pine North Project. An historical estimate of the White Pine North Project mineral resource was completed in October 1995 by the former White Pine chief geologist based on 526 diamond drill holes. The total historical estimate at that time was 118.7 million short tons averaging 20.7 pounds of copper per ton, for approximately 2.5 billion pounds of contained copper.

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

With an improving commodity price backdrop, Highland intends to develop a conceptual approach to mine development at the White Pine North Project in 2018. Based on the historical resource estimate already identified at the White Pine North deposit, this Project represents a significant medium-term copper production growth opportunity for the Company.

Lease Agreement, White Pine, Michigan

In April 2015, the Company entered into an agreement to lease certain mineral rights located in White Pine from a private Michigan limited liability corporation. The mineral lease is for 20 years, with an option for an additional five years. Payment at closing consisted of US\$225,000 in cash and the issuance of 2,164,701 common shares of Highland. Additional cash payments were payable on the first and second anniversaries of closing. On December 30, 2016, the Company entered into an amended agreement with the lessor to revise the payment schedule of the remaining amount of US\$575,000 owed by the Company to the Lessor. Under the terms of the amended agreement, the Company paid an amount of US\$135,000 on December 30, 2016 and agreed to pay the balance of US\$440,000 in sixteen equal quarterly principal amounts of US\$27,500, plus interest accruing at the rate of 8% per annum. These quarterly payments started on March 30, 2017.

Keweenaw Project

The Keweenaw Project, which covers an area of approximately 9,000 acres, includes the 543S deposit. Under a Mining Venture Agreement (the "Venture Agreement") with BRP, the Company has an option to acquire a 65% interest in the Keweenaw Project by spending US\$11,500,000 in exploration work (which amount has been spent), providing a feasibility study by December 31, 2017 and securing historical shafts. In addition to its 35% interest, BRP will retain 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%. The Company will not be able to complete the feasibility study by December 31, 2017 and it will have to renegotiate the terms of the Venture Agreement or it may lose its right to acquire an interest in the project.

Management Appointments

Denis Miville-Deschênes, as President and CEO

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

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

Sylvain Collard, as General Manager, Projects and Operations

Mr. Sylvain Collard has recently joined the Company to coordinate the work being performed by the various engineering firms to oversee the completion of the Copperwood FS Update. Mr. Collard is a highly-qualified mechanical engineer who possesses thorough knowledge of mining, construction and operating activities. Mr. Collard was until recently responsible for the daily operations of the mine, mill and power plant at Iamgold's Essakane gold mine, in Burkina Faso.

David Charles, as Manager, Investor Relations

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

Appointment of Jean Desrosiers as director

On October 26, 2017, the Board of Directors appointed Mr. Jean Desrosiers as a director of the Company. Mr. Desrosiers is a retired mining engineer with over 40 years of experience in the mining industry. During his career, Mr. Desrosiers has held senior management positions with Noranda, Falconbridge, Xstrata and Glencore Xstrata.

Debt Settlement

On December 12, 2016, the Company settled an outstanding indebtedness in the amount of \$494,986, including accrued interest calculated at the rate of 1% per month, owing to a company wholly-owned by David Fennell, the Company's chairman, by issuing 4,949,857 common shares and 2,474,928 warrants, with each warrant entitling the holder to purchase one common share of the Company for a period of 12 months at an exercise price of \$0.15 per share. Mr. Fennell had advanced these funds to the Company during the period from August 1, 2016 to November 30, 2016 to ensure that critical payments to maintain the Company in good standing were being made.

Grant of Stock Options

On August 29, 2017, the Company granted a total of 9,025,000 incentive stock options to directors, officers, employees and consultants of the Company at an exercise price of \$0.11 per share and on October 26, 2017, the Company granted a total of 2,070,000 incentive stock options to directors, officers and employees of the Company at an exercise price of \$0.17 per share. All of the stock options will be vesting over a period of two years and, if not exercised, will expire five years from the date of the grant.

Exploration and Evaluation Expenses and Change in Accounting Policy

At June 30, 2017, the Company changed its accounting policy related to exploration and evaluation expenses, which previously consisted in capitalizing all such expenditures. Under the new policy, the cost of acquiring prospective properties and exploration rights continues to be capitalized and exploration and evaluation costs, subsequent to acquisition, are expensed until it has been established that a mineral property is commercially viable and a mine development decision has been made by the Company. Thereafter, the Company will capitalize expenditures incurred to develop the mine, prior to the start of mining operations. This change in accounting was applied retroactively and all related numbers for the year ended June 30, 2016 were restated retroactively to reflect adjustments made as a result of this change in accounting policy. Details of the restatement to the June 30, 2016 audited consolidated financial statements are presented in Note 3 to the June 30, 2017 and 2016 consolidated financial statements.

Amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's new accounting policy on exploration and evaluation expenses described above, are as follows:

	Copperwood	White Pine	UPX	Other	Total
	Project	Project	Property	properties	
	\$	\$	\$	\$	\$
Restated balance, June 30, 2015	29,220,203	3,116,386	-	1,028,427	33,365,016
Property payments in cash	146,605	596,981	-	29,815	773,401
Write-down	-	-	-	(123,301)	(123,301)
Conversion of Osisko loan into NSR royalty	(10,000,000)	-	-	-	(10,000,000)
Finance expense	463,755	-	-	-	463,755
Effect of foreign exchange	982,890	74,215	-	5,617	1,062,722
	(8,406,750)	671,196	-	(87,869)	(7,823,423)
Restated balance, June 30, 2016	20,813,453	3,787,582	-	940,558	25,541,593
Property payments in cash	146,638	199,039	13,340,196	32,393	13,718,266
Finance expense	373,356	-	174,148	-	547,504
Effect of foreign exchange	85,226	10,953	(515,893)	(205)	(419,919)
	605,220	209,992	12,998,451	32,188	13,845,851
Balance, June 30, 2017	21,418,673	3,997,574	12,998,451	972,746	39,387,444

The amounts capitalized during the year ended June 30, 2017 included the acquisition cost of the UPX property for an amount of \$13,340,196 (which consist of the amount of US\$2,000,000 paid at closing and the fair value of the non-interest bearing note of US\$16,000,000 payable over a period of 6 years in favor of the vendor, using a discount rate of 20%), lease payments of \$146,638 related to the Copperwood Project and \$32,393 related to other properties, the balance of the additional payment of \$199,039 owing to the lessor of the property in White Pine, a total accretion amount of \$547,504 related to the non-interest bearing promissory note in favor of RTX and the non-interest bearing balance of purchase price payable in favor of Orvana and an unrealized gain on foreign of exchange of \$419,919.

In 2016, the capitalized amounts included lease payments of \$146,605 related to the Copperwood Project and other \$29,815 related to other properties, an additional amount of \$596,981 owing to the lessor of the property in White Pine, an accretion amount of \$463,755 related to the non-interest bearing balance of purchase price payable in favor of Orvana and an unrealized loss on foreign exchange of \$1,062,722. Capitalized amounts were reduced during the year by an amount of \$123,301 related mostly to the write-down of the G-2 project expenditures and an amount of \$10,000,000 following the conversion of the Osisko deposit on sale of royalty into a 3% NSR royalty on the Copperwood Project.

Exploration and evaluation expenses charged to the statement of comprehensive loss during the years ended June 30, 2017 and 2016 are as follows:

	Copperwood	White Pine	UPX	Other	Year ended June 30, 2017	Year ended June 30, 2016
	Project	Project	Project	projects	Total	Total
	\$	\$	\$	\$	\$	\$
Site preparation, drilling and assaying	1,529,045	-	133	-	1,529,178	-
Labour	538,719	417,725	179,448	2,305	1,138,197	1,217,610
Studies and consultants	256,791	290,623	-	-	547,414	554,438
Office, overhead and other administrative costs	154,285	299,165	119,417	26,285	599,152	460,543
Gain on sale of capital assets	-	-	-	-	-	(83,577)
Depreciation and amortization	2,694	35,054	-	15,212	52,960	123,669
Share-based compensation	-	-	-	9,882	9,882	31,552
	2,481,534	1,042,567	298,998	53,684	3,876,783	2,304,235

Selected Consolidated Financial Information ⁽¹⁾⁽²⁾

The following selected financial information should be read in conjunction with the Company's June 30, 2017 and 2016 consolidated financial statements.

	June 30, 2017	June 30, 2016	
	\$	\$	
Financial Position			
Cash	18,247,875	201,998	
Working capital (deficit)	13,735,032	(4,281,894)	
Exploration and evaluation assets ⁽³⁾	39,387,444	25,541,593	
Total assets ⁽³⁾	57,849,645	25,864,814	
Non-current portion of note payable and promissory note	9,662,267	-	
Non-current portion of balance of purchase price payable	-	1,289,355	
Shareholders' equity ⁽³⁾	43,216,420	19,778,728	
Comprehensive Loss			
	Year ended June 30, 2017	Year ended June 30, 2016 ⁽³⁾	Year ended June 30, 2015 ⁽³⁾
	\$	\$	\$
Net loss for the year	(5,947,994)	(3,988,133)	(12,355,741)
Basic and diluted loss per share	(0.02)	(0.03)	(0.12)
Cash Flows			
Operating activities	(6,137,657)	(4,290,127)	(10,739,565)
Investing activities	(2,918,460)	(227,081)	(492,553)
Financing activities	27,508,149	3,639,008	9,238,151

- 1) The Selected Consolidated Financial Information was derived from the Company's June 30, 2017 and 2016 consolidated financial statements, prepared in accordance with IFRS.
- 2) The Company's June 30, 2017 and 2016 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 property. 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, 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 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 the Company's June 30, 2017 and 2016 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) Amounts restated to reflect the change in accounting policy related to exploration and evaluation expenses described in the *Exploration and Evaluation Expenses and Change in Accounting Policy* section.

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

Financial Review

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

Year ended June 30, 2017 compared to year ended June 30, 2016

The Company incurred a net loss of \$5,947,994 during the year ended June 30, 2017 compared to a net loss of \$3,988,133 in 2016. The increased loss in 2017 is mostly due to expenses incurred for the drilling program conducted during the year at the Copperwood Project (\$1,529,178) and an unrealized loss on foreign exchange of \$389,208 on the conversion of the Company's cash position held in US dollars at June 30, 2017.

The detail of exploration expenses of \$3,876,783 incurred in 2017 compared to \$2,304,235 in 2016 is presented by project in the *Exploration and Evaluation Expenses and Change in Accounting Policy* section.

Management and administration expenses of \$1,423,209 in 2017 compared to \$1,486,118 in 2016 reflect higher wages and fees following the hiring of senior corporate staff (wages and fees of \$929,797 in 2017 compared to \$858,049 in 2016), higher investor relations and travel expenses for attending key mining conferences and other investor relations events (\$95,635 in 2017 compared to \$24,128 in 2016) offset by lower office expenses (\$151,471 in 2017 compared to \$237,159 in 2016) and professional fees (\$184,892 in 2017 compared to \$260,796 in 2016).

The Company continues to assess mineral projects which resulted in business development expenses of \$264,906 in 2017 compared to \$79,783 in 2016. Such expenses consist mostly of professional fees and travel expenses.

The Company incurred a finance expense of \$11,497 in 2017 (nil in 2016) related to funds advanced by the Company's chairman between August 1, 2016 to November 30, 2016 to ensure that critical payments to maintain the Company in good standing were being made, and a finance expense of \$22,624 (nil in 2016) on the remaining amount of US\$575,000 owed to the lessor of certain mineral rights located in White Pine, Michigan, in accordance with an amended agreement described in the *Debt Settlement* section.

4th quarter ended June 30, 2017 compared to the 4th quarter ended June 30, 2016

During the 4th quarter ended June 30, 2017, the Company incurred a net loss of \$1,939,703 (nil per share), compared to a net loss of \$831,780 (\$0.01 per share) during the 4th quarter ended June 30, 2016. The increased loss during the 4th quarter ended June 30, 2017 compared to 2016 is mainly due to increased exploration and evaluation expenses of \$1,003,925 related to the beginning of the Copperwood Project feasibility study and the completion of the drilling program at the Copperwood Project that had been initiated in February 2017, business developments expenses of \$106,582 related to the assessment of various mineral projects and an unrealized loss on foreign exchange of \$147,197 on the conversion of the Company's cash position held in US dollars at June 30, 2017. Such increases were partially offset by finance income of \$41,683 and lower management and administration expenses of \$85,774. The amount of management and administration expenses for the 4th quarter ended June 30, 2016 included a settlement provision of US\$150,000 payable to the Company's former president and CEO following his resignation in February 2016. This settlement amount was paid in full in March 2017.

Selected Quarterly Financial Information

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

Period ended	Revenues	Net loss	Basic and diluted loss per share
	\$	\$	\$
June 30, 2017	41,683	(1,939,703)	(0.00)
March 31, 2017 ⁽¹⁾	8,881	(2,689,432)	(0.01)
December 31, 2016 ⁽¹⁾	1,509	(613,734)	(0.00)
September 30, 2016 ⁽¹⁾	35	(705,125)	(0.00)
June 30, 2016 ⁽¹⁾	302	(831,780)	(0.01)
March 31, 2016 ⁽¹⁾	700	(736,362)	(0.00)
December 31, 2015 ⁽¹⁾	2,340	(1,207,457)	(0.01)
September 30, 2015 ⁽¹⁾	588	(1,212,534)	(0.01)

1) Amounts restated to reflect the change in accounting policy related to exploration and evaluation expenses described in the *Exploration and Evaluation Expenses and Change in Accounting Policy* section.

Liquidity and Capital Resources

At June 30, 2017, the Company had a working capital of \$13,735,032 compared to a working capital deficit of \$4,281,894 at June 30, 2016. The increase in the working capital during the year ended June 30, 2017 is mainly attributable to the completion of a private placement which resulted in the issuance of 300,229,670 Units at a price of \$0.10 per Unit for total gross proceeds of \$30,022,967, partially offset by share issue expenses of \$1,068,114, the payment of \$2,699,000 (US\$2,000,000) to acquire the UPX Property, lease payments of \$179,031 related to the Copperwood Project and other mineral leases held, the reimbursement of an amount due to Orvana of \$1,678,077 (US\$1,250,000) as a balance of the

purchase price of the Copperwood Project, exploration and evaluation expenses of \$3,813,941 and management and administration expenses of \$1,390,647, excluding non-cash items.

On May 30, 2017, as consideration for the acquisition of the UPX Property, the Company issued a US\$16,000,000 million secured non-interest bearing promissory note in favor of RTX repayable over a period of six years.

On December 30, 2016, the Company entered into an amended agreement with the lessor of certain mineral rights located in White Pine and agreed to pay the balance of the amount due of US\$440,000 in sixteen equal quarterly principal amounts of US\$27,500 plus interest accruing at the rate of 8% per annum, starting on March 30, 2017.

The Company will require additional funds to settle its non-current liabilities and its other commitments and to further pursue exploration and development activities on its mineral properties. Although 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 is no assurance that the Company will be successful in raising such funds. Should the Company not be successful in raising additional funds, it may be required to delay, reduce the scope of, or eliminate its future exploration and development activities, and / or it may have to sell some or all of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

Capital Management

The Company defines capital that it manages as loans (including note payable, promissory note and balance of purchase price payable) and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At June 30, 2017, managed capital was \$55,584,186 (\$22,513,170 at June 30, 2016). There were no changes in the Company's approach to capital management during the year ended June 30, 2017. The Company is not subject to any externally imposed capital requirements as at June 30, 2017.

Off-Balance Sheet Arrangements

At June 30, 2017, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the year ended June 30, 2017, the Company incurred administration expenses of \$100,998 for office-related services provided by Reunion Gold Corporation ("Reunion"), a related party by virtue of common key management and directors (administration expenses of \$270,658 and the purchase of office furniture and computer equipment for an amount of \$31,681 from Reunion in 2016). At June 30, 2017, the Company had an amount due to Reunion of nil (\$25,543 at June 30, 2016).

During the year ended June 30, 2017, the Company recovered amounts of \$152,514 for management services provided to other TSXV-listed companies, related by virtue of common key management, including Odyssey Resources Limited and Reunion (an amount of \$120,810 was recovered in 2016). The services are provided at cost.

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

Remuneration to directors and key management of the Company totaled \$937,638 during the year ended June 30, 2017 (\$912,677 in 2016).

Outstanding Share Data

At October 26, 2017, the Company has 459,148,153 common shares issued and outstanding, 153,589,762 share purchase warrants exercisable at a price of \$0.15 per share at various dates until March 17, 2020, and 7,455,000 stock options outstanding with an average exercise price of \$0.48, expiring at various dates until November 2020.

Basis of Presentation of Financial Statements

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's consolidated financial statements are consistent with those of the previous year, except for the change in accounting policy related to exploration and evaluation assets described in the *Exploration and Evaluation Expenses and Change in Account Policy* section. The significant accounting policies of Highland are detailed in Note 5 to the June 30, 2017 and 2016 consolidated financial statements filed on SEDAR.

Significant accounting judgements and estimates

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. 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, include title to mineral property interests, exploration and evaluation assets, fair value of liabilities, environmental liability and going concern. Details on the significant assumptions are presented in Note 5 to the June 30, 2017 and 2016 consolidated financial statements filed on SEDAR.

Accounting Standards Issued but not yet Applied

Standards, amendments and interpretations issued but not yet effective up to the date of the issuance of the Company's consolidated financial statements that are expected to be relevant to the Company are presented in Note 5 to the June 30, 2017 and 2016 consolidated financial statements filed on SEDAR.

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.

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2017:

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,945,816	1,945,816	885,936	1,059,880	-	-
Note payable	499,615	499,615	71,374	71,373	285,495	71,373
Promissory note	10,389,075	20,763,200	-	1,297,700	7,786,200	11,679,300
Balance of purchase price payable	1,479,076	1,622,125	-	1,622,125	-	-
	14,313,582	24,830,756	957,310	4,051,078	8,071,695	11,750,673

Credit Risk

Credit risk is the risk that the Company will incur losses due to the non-payment of contractual obligations by third parties. The Company is exposed to credit risk with respect to cash.

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 a major Canadian-based chartered bank. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately \$182,000.

Currency Risk

In the normal course of operations, the Company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of each of the entities within the consolidated group. The currency in which these transactions are denominated are primarily the Canadian and the US dollar. The consolidated entity seeks to minimize its exposure to currency risk by monitoring exchange rates and entering into foreign currency transactions that maximize the consolidated entity's position. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions are entered into at spot rates. The board of directors considers this policy appropriate, taking into account the consolidated entity's size, current stage of operations, financial position and the board's approach to risk management. At June 30, 2017, financial assets and liabilities denominated in a foreign currency consisted of cash of \$8,734,211 and accounts payable and accrued liabilities of \$207,652. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately \$853,000.

Other Risks and Uncertainties

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

Company Specific Risks

- The ability of the Company to achieve its plans and objectives as well as its ability to raise funds may be affected by the results of the ongoing feasibility study on its Copperwood project, the results of exploration programs on its projects, delays in obtaining or failures to obtain required governmental, environmental or other approvals, and other variables such as changes in demand for and prices of copper, lower than expected grades and quantities of resources, mining rates and recovery rates, legislative, environmental and other regulatory approval or political changes.
- The Company may be unable to complete the acquisition of the White Pine property if it cannot meet the final closing conditions. This would negatively impact the Company's business plan.
- The Company is subject to environmental risks related to the fact that the White Pine property is subject to a consent decree and, as part of the acquisition of White Pine, the Company will have to assume certain environmental responsibilities and risks related to the closure of the former White Pine Mine.
- In Michigan, mineral rights are property rights that can be sold, transferred or leased. The Company is taking steps to verify title with respect to its most material mineral properties. Although the Company believes that title to its

mineral properties are in good standing there is no guarantee that title to such properties will not be challenged or impugned.

- The Company's mineral resource estimates are not mineral reserves. There is no assurance that minerals will be discovered in sufficient quantities to justify commercial operations and that the Company will be able to demonstrate the economic viability of its deposits.
- The Company may not obtain all necessary permits to conduct its activities and operate a mine.
- Future issuance of common shares into the public market may result in dilution to the existing shareholders.
- The Company faces substantial competition within the mining industry from other mineral companies with much greater financial and technical resources.
- The Company has no history of earnings and does not expect to receive revenues from operations in the foreseeable future.
- Certain directors and senior officers of the Company also serve as officers and/or directors of other mineral resource companies, which may give rise to conflicts.

Industry Risks

- Mineral exploration and development is a high risk, speculative business. Few properties that are explored are ultimately developed into producing mines.
- Mineral exploration is subject to geological uncertainties and interpretation.
- Mineral exploration is subject to numerous industry operating and environmental hazards and risks, many of which are beyond the Company's control.
- Substantial expenditures are required to explore mineral projects, define mineral resources, and complete all metallurgical, engineering, environmental, financial and other studies required to complete a feasibility study.
- Changes in mining and environmental laws.
- Necessary permits to operate may not be granted or may be granted later than anticipated.
- Current economic uncertainties globally have created market volatility and risk aversion among investors, limiting capital raising options.
- Commodity prices including the price of copper have fluctuated widely in the past and are expected to continue to do so in the future.
- Mining operations including exploration and development activities are subject to numerous laws and regulations.
- Title to mineral rights and surface rights may be disputed.
- Social and environmental groups may be opposed to the development of mining projects.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of

trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made. Forward-looking information is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by the forward-looking information.

Specifically, this MD&A contains forward-looking information relating to the Company's plans to complete the updated feasibility study on the Copperwood deposit by the second quarter of 2018, plans to complete the necessary permitting and financing for the development of the Copperwood Project in the first half of 2018, plans to begin construction in the second half of 2018, the potential upgrade of inferred resources, plans to raise additional funds to achieve the Company's objectives, and plans to complete the acquisition of the White Pine property by December 15, 2017. Other forward looking information in this MD&A includes perceived merit of properties; exploration plans and budgets; mineral reserves and resource estimates; work programs; capital expenditures; timelines; strategic plans; market prices for copper; or other statements that are not statements of fact.

There can be no assurance that the Company will be successful in its efforts to complete its plans and achieve its objectives and that such forward-looking information will prove to be accurate. Actual results could differ materially from those currently anticipated due to a number of risk factors, including those described above. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, except as may be required by law.

Cautionary Note to U.S. Investors Concerning Resource Estimates

The resource estimates in this MD&A were prepared in accordance with NI 43-101 adopted by the Canadian Securities Administrators and it contains the terms "measured", "indicated" and "inferred" resources. Although these terms are recognized and required in Canada, the U.S. Securities and Exchange Commission ("SEC") does not recognize them. The SEC permits US mining companies, in their filings with the SEC, to disclose only those mineral deposits that constitute "reserves". Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally extracted at the time the determination is made. United States investors should not assume that all or any portion of a measured or indicated resource will ever be converted into "reserves". Further, "inferred resources" have a great amount of uncertainty as to their existence and whether they can be mined economically or legally, and United States investors should not assume that "inferred resources" exist or can be legally or economically mined, or that they will ever be upgraded to a higher category.

Qualified Person

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

Additional Information and Continuous Disclosure

This MD&A has been prepared as at October 26, 2017. 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).