



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the three and six months ended December 31, 2016

In Canadian Dollars

Unaudited

NOTICE TO READER

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Financial Position

<i>(unaudited, in Canadian dollars)</i>	December 31, 2016	June 30, 2016
	\$	\$
ASSETS		
Current		
Cash	2,169,563	201,998
Sales taxes receivable	9,954	-
Receivable from a related party (Note 10)	106,633	-
Prepaid expenses and other	14,727	6,233
	2,300,877	208,231
Non-current		
Capital assets	69,776	114,990
Exploration and evaluation assets (Note 4)	57,215,027	53,827,188
TOTAL ASSETS	59,585,680	54,150,409
LIABILITIES		
Current		
Accounts payable and accrued liabilities	2,873,254	3,019,495
Due to a related party (Note 10)	-	25,543
Current portion of note payable (Note 5)	147,697	-
Balance of purchase price payable (Note 4)	1,603,703	1,445,087
	4,624,654	4,490,125
Non-current		
Note payable (Note 5)	443,091	-
Balance of purchase price payable (Note 4)	1,441,822	1,289,355
Environmental liability	324,746	306,606
TOTAL LIABILITIES	6,834,313	6,086,086
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	54,748,246	51,754,469
Shares to issue (Note 6)	10,000	-
Contributed surplus	6,623,852	6,253,329
Deficit	(18,393,505)	(17,809,014)
Cumulative translation adjustment	9,762,774	7,865,539
TOTAL EQUITY	52,751,367	48,064,323
TOTAL LIABILITIES AND EQUITY	59,585,680	54,150,409

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

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

On behalf of the Board,

/s/ David Fennell
David Fennell, Director

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

<i>(unaudited, in Canadian dollars)</i>	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Expenses and other items				
Management and administration (Note 8)	250,732	199,340	559,287	680,322
Pre-exploration	-	31,458	-	31,458
Write-down of exploration and evaluation assets	-	273,883	-	273,883
Accretion on environmental liability	2,966	3,908	5,931	7,816
Finance expense on loan from a director (Note 10)	8,197	-	11,497	-
Finance income	(1,509)	(2,340)	(1,544)	(2,928)
Loss (gain) on foreign exchange	8,864	(12,481)	9,320	(13,331)
Net loss for the period	(269,250)	(493,768)	(584,491)	(977,220)
Other comprehensive income				
Item that will not be subsequently reclassified to income				
Foreign currency translation adjustment	1,162,281	2,329,356	1,897,235	6,137,005
Comprehensive income for the period	893,031	1,835,588	1,312,744	5,159,785
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares - basic and diluted	165,193,923	152,375,598	159,581,274	140,958,895

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Shareholders' Equity

<i>(unaudited, in Canadian dollars)</i>	Number of issued and outstanding common shares	Share capital	Shares to issue	Contributed surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity
		\$	\$	\$	\$	\$	\$
Balance at June 30, 2016	153,968,626	51,754,469	-	6,253,329	(17,809,014)	7,865,539	48,064,323
Private placement (Note 6)	30,280,000	2,724,465	-	303,535	-	-	3,028,000
Shares issued on debt settlement (Note 6)	4,949,857	445,367	-	49,619	-	-	494,986
Share issue expenses	-	(176,055)	-	-	-	-	(176,055)
Shares to issue (Note 6)	-	-	10,000	-	-	-	10,000
Share-based compensation	-	-	-	17,369	-	-	17,369
Loss for the period	-	-	-	-	(584,491)	-	(584,491)
Foreign currency translation adjustment	-	-	-	-	-	1,897,235	1,897,235
Balance at December 31, 2016	189,198,483	54,748,246	10,000	6,623,852	(18,393,505)	9,762,774	52,751,367
Balance at June 30, 2015	129,542,192	48,115,461	-	6,173,571	(13,592,922)	6,611,519	47,307,629
Private placement	24,426,434	3,663,965	-	-	-	-	3,663,965
Share issue expenses	-	(24,957)	-	-	-	-	(24,957)
Share-based compensation	-	-	-	46,561	-	-	46,561
Loss for the period	-	-	-	-	(977,220)	-	(977,220)
Foreign currency translation adjustment	-	-	-	-	-	6,137,005	6,137,005
Balance at December 31, 2015	153,968,626	51,754,469	-	6,220,132	(14,570,142)	12,748,524	56,152,983

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Cash Flows

<i>(unaudited, in Canadian dollars)</i>	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(269,250)	(493,768)	(584,491)	(977,220)
Adjustments				
Share-based compensation	5,236	18,409	11,289	28,324
Depreciation and amortization	6,055	8,045	14,980	13,215
Write-down of exploration and evaluation assets	-	273,883	-	273,883
Unrealized loss (gain) on foreign exchange	8,864	(12,481)	9,320	(13,331)
Accretion on environmental liability	2,966	3,908	5,931	7,816
Finance expense on loan from a director	8,197	-	11,497	-
Finance income accrued	(1,509)	(2,340)	(1,544)	(2,928)
Finance income received	1,485	1,988	1,544	3,210
Changes in working capital items				
Sales taxes receivable	(504)	(23,251)	(9,954)	18,295
Prepaid expenses and other	(1,009)	17,227	(8,181)	26,075
Accounts payable and accrued liabilities	134,116	(385,826)	270,370	(216,856)
Due from a related party	(112,798)	1,289	(132,176)	(6,733)
	(218,151)	(592,917)	(411,415)	(846,250)
Investing activities				
Acquisition of capital assets	-	(31,681)	-	(33,127)
Additions to exploration and evaluation assets	(628,419)	(1,952,284)	(959,276)	(2,600,191)
	(628,419)	(1,983,965)	(959,276)	(2,633,318)
Financing activities				
Loan from a director (Note 10)	33,489	-	483,489	-
Addition to note payable (Note 4)	201,406	-	201,406	-
Reimbursement of note payable (Note 5)	(181,265)	-	(181,265)	-
Issue of shares (Note 6)	3,028,000	3,663,965	3,028,000	3,663,965
Shares to issue (Note 6)	10,000	-	10,000	-
Share issue expenses	(176,055)	(24,957)	(176,055)	(24,957)
	2,915,575	3,639,008	3,365,575	3,639,008
Effect of exchange rate changes on cash held in foreign currency	(15,947)	27,056	(27,319)	(4,286)
Net change in cash	2,053,058	1,089,182	1,967,565	155,154
Cash, beginning of period	116,505	108,313	201,998	1,042,341
Cash, end of period	2,169,563	1,197,495	2,169,563	1,197,495
Supplemental cash flow information				
Current liabilities related to exploration and evaluation assets	(74,105)	(982,414)	111,395	(871,851)
Depreciation and amortization included in exploration and evaluation assets	16,249	31,179	33,573	77,993
Share-based compensation included in exploration and evaluation assets	3,040	9,118	6,080	18,237
Finance expense included in exploration and evaluation assets	97,824	120,412	199,260	244,260
Reclassification of accounts payable to note payable	548,973	-	548,973	-
Loan from a director settled by the issue of shares and warrants	494,986	-	494,986	-

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016 (unaudited - in Canadian dollars)

1. GENERAL INFORMATION

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together "Highland" or the "Company") are primarily engaged in the acquisition, exploration and development of mineral properties. The Company has assembled a number of advanced-stage copper projects located in Michigan's Upper Peninsula region, including Copperwood, White Pine and Keweenaw. To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage.

All financial results in these unaudited condensed interim consolidated financial statements are expressed in Canadian dollars unless otherwise indicated. Highland's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol HI.

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

On November 30, 2016, the Company completed a first tranche of the private placement for an amount of \$3,028,000 (Note 6). The Company expects to close a second tranche on February 22, 2017 and a final tranche by March 17, 2017, subject to certain conditions including but not limited to the receipt of all required regulatory approvals, including the approval of the TSXV.

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

The Board of Directors approved these consolidated financial statements on February 16, 2017.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
December 31, 2016 (unaudited - in Canadian dollars)

2. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities, including raising additional funds, completing the acquisition of the White Pine Project and acquiring a 65% interest in the Keweenaw Project. The Company has incurred a net loss of \$584,491 during the six months ended December 31, 2016 and has a deficit of \$18,393,505 at December 31, 2016. The Company has a working capital deficiency of \$2,323,777 at December 31, 2016.

The Company requires additional funds to settle its working capital deficiency, to complete the acquisition of the White Pine Project, to pursue exploration and development work on its mineral projects, and to provide for management and administration expenses for at least the next 12 months. To this effect, the Company announced on November 15, 2016, that it planned to raise through a non brokered private placement an amount of up to \$23 million, of which a first tranche of \$3,028,000 was completed on November 30, 2016 (Note 6). However, there is no assurance that the Company will be successful in raising the remaining amount of the announced private placement. Should the Company not be successful in raising such additional funds, it may be required to further delay, reduce the scope of, or eliminate its current or future exploration and development activities, and / or sell some of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

The conditions and uncertainties described above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not appropriate for these unaudited condensed interim consolidated financial statements, adjustments which could be material would be necessary to the carrying value of assets and liabilities, in particular an impairment of exploration and evaluation assets, as well as adjustments to reported expenses.

3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
December 31, 2016 (unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	White Pine Project	Copperwood Project	Keweenaw Project	Leased Properties	Total
	\$	\$	\$	\$	\$
Balance at June 30, 2016	18,587,530	21,462,768	13,337,295	439,595	53,827,188
Property payments in cash	197,925	145,818	-	32,212	375,955
Labour	193,265	161,038	7,718	-	362,021
Studies	-	12,034	-	-	12,034
Other exploration expenses	276,524	36,257	7,880	-	320,661
Depreciation and amortization	18,552	1,348	13,673	-	33,573
Share-based compensation	-	-	6,080	-	6,080
Finance expense	-	199,260	-	-	199,260
Effect of foreign exchange	726,771	857,183	476,379	17,922	2,078,255
	1,413,037	1,412,938	511,730	50,134	3,387,839
Balance at December 31, 2016	20,000,567	22,875,706	13,849,025	489,729	57,215,027
Balance at June 30, 2015	15,447,201	29,804,661	15,642,832	673,340	61,568,034
Property payments in cash	-	146,122	-	29,315	175,437
Labour	662,430	63,937	78,619	-	804,986
Studies	507,879	(9,790)	-	-	498,089
Other exploration expenses	240,083	(13,102)	22,847	-	249,828
Depreciation and amortization	20,248	2,849	54,896	-	77,993
Write-down	-	-	-	(273,883)	(273,883)
Share-based compensation	-	-	18,237	-	18,237
Finance expense	244,260	-	-	-	244,260
Effect of foreign exchange	1,685,838	3,241,810	1,535,241	59,804	6,522,693
	3,360,738	3,431,826	1,709,840	(184,764)	8,317,640
Balance at December 31, 2015	18,807,939	33,236,487	17,352,672	488,576	69,885,674

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
December 31, 2016 (unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project, Michigan, USA

On May 13, 2014 (the interim closing date), the Company entered into an agreement to acquire from Copper Range Company ("CRC") all of CRC's rights, title and interest in the White Pine Project. The final closing of the acquisition will be completed once Highland has (i) released CRC of a financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. Final closing has been extended to February 28, 2017. Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project.

Upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, the Company will pay to CRC in cash or in common shares of Highland, at the option of CRC, an amount equal to US\$0.005 (one half of one cent) per pound for the first 1 billion pounds of proven and probable reserves of copper and US\$0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper. At December 31, 2016, the Company has not yet estimated any proven and probable reserves at the White Pine Project and has not yet completed a feasibility study or initiated the activities required to obtain the necessary permits. Consequently, the Company has not yet accounted for this contractual contingent liability.

Lease Agreement, White Pine, Michigan, USA

In April 2015, the Company 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 \$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, as described in Note 5 below.

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

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
December 31, 2016 (unaudited - in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Copperwood Project

As part of the June 2014 acquisition of the Copperwood project from Orvana Minerals Corp., a TSX-listed company ("Orvana"), the Company may be required to pay as additional consideration up to US\$5 million in cash or shares of Highland, at Orvana's option, of which US\$1.25 million is due on June 17, 2017 and US\$1.25 million on June 17, 2018. The fair value of the amounts due in 2017 and 2018 have been accounted for and presented as Balance of Purchase Price Payable on the consolidated statements of financial position. An additional amount of US\$1.25 million may also be payable if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than US\$4.25/lb; and an additional payment of US\$1.25 million if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than US\$4.50/lb. The contingent liability of US\$2.5 million will only be recognized if and when the contingency is satisfied. The Copperwood Project consists of a number of mineral leases, which call for annual rent payments until 2036. The mineral leases are also subject to quarterly net smelter return ("NSR") royalty payments and will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices.

Osisko royalty and Osisko option on future silver production

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

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

Keweenaw Project

Under a Mining Venture Agreement with BRP LLC ("BRP"), the Company has an option to acquire a 65 percent interest in the Keweenaw Project (which includes the 543S deposit) by providing a feasibility study by December 31, 2017 and securing some of the historical shafts located in the Keweenaw region. Upon exercising the option, the Company will have a 65% interest and BRP will have a 35% interest in the property. In addition, BRP will be entitled to a sliding scale NSR royalty from production on those properties contributed by BRP based on the price per pound of copper with a minimum of 2% up to a maximum of 5%.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
December 31, 2016 (unaudited - in Canadian dollars)

5. NOTE PAYABLE

On December 30, 2016, the Company entered into an amended agreement with the Lessor of certain mineral rights located in White Pine, Michigan (Note 4 - *Lease Agreement, White Pine, Michigan, USA*) for the remaining amount of US\$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. The first quarterly payment is due on March 30, 2017 and subsequent quarterly payments are due on June 30, September 30, December 30 and March 30 of each year until fully paid. At December 31, 2016, the Company presented an amount of \$147,697 (US\$110,000) as current liability and the remaining balance of \$443,091 (US\$330,000) as non current liability.

6. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At December 31, 2016, the Company had 189,198,483 issued and outstanding common shares (153,968,626 at June 30, 2016).

On November 30, 2016, the Company completed a first tranche of a non brokered private placement for gross proceeds of \$3,028,000 (the "Financing"). A total of 30,280,000 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 the closing 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 risk-free interest rate of 0.69%, an expected life of the Warrants of 1.0 year, an annualized volatility of 89% (determined by reference to historical data) and a dividend rate of 0%. An amount of \$303,535 was allocated to such Warrants and was presented as part of contributed surplus. The Company paid finders' fees totaling \$71,071 and incurred other share issue expenses of \$104,984.

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 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 1.0 year, an annualized volatility of 89% (determined by reference to historical data) and a dividend rate of 0%. An amount of \$49,619 was allocated to such Warrants and was presented as part of contributed surplus.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016 (unaudited - in Canadian dollars)

6. SHARE CAPITAL AND WARRANTS (continued)

Shares to issue

In December 2016, the Company received an amount of \$10,000 as settlement for shares to be issued in the final tranche of the Company's private placement.

Share purchase warrants

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

Grant date	Number of Warrants June 30, 2016	Granted	Expired	Number of warrants December 31, 2016	Price Per Share \$	Expiry Date
May 2012	41,250,000	-	-	41,250,000	0.75	Mar 31, 2017
March 11, 2015 (1)	12,275,020	-	(12,275,020)	-	-	-
March 20, 2015 (1)	1,680,000	-	(1,680,000)	-	-	-
March 27, 2015 (1)	1,250,353	-	(1,250,353)	-	-	-
November 30, 2016	-	15,140,000	-	15,140,000	0.10	Nov 30, 2017
December 12, 2016	-	2,474,928	-	2,474,928	0.10	Dec 12, 2017
	56,455,373	17,614,928	(15,205,373)	58,864,928	0.56	
Average price	0.68	0.10	(0.50)	0.56		

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016 (unaudited - in Canadian dollars)

7. STOCK OPTIONS

The following table sets out the activity in stock options:

	Six months ended December 31, 2016	
	Number	Weighted average exercise price (\$)
Options, beginning of period	7,522,000	0.48
Expired	(67,000)	(0.43)
Options, end of period	7,455,000	0.48

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

Issue date	Number of options	Exercise price \$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options \$
July 6, 2012	400,000	0.50	0.5	400,000	0.50
November 5, 2012	3,740,000	0.60	0.8	3,740,000	0.60
August 1, 2014	1,400,000	0.50	2.6	1,400,000	0.50
April 21, 2015	1,715,000	0.25	3.3	640,000	0.25
November 20, 2015	200,000	0.13	3.9	133,333	0.13
	7,455,000	0.48	1.8	6,313,333	0.53

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
December 31, 2016 (unaudited - in Canadian dollars)

8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Administrative and general	173,762	(7,776)	357,287	290,238
Office	8,598	58,934	67,906	122,458
Professional fees	45,858	111,446	93,495	203,101
Investor relations and travel	6,043	7,312	7,855	17,783
Reporting issuer costs	5,180	2,970	6,475	5,203
Share-based compensation	5,236	18,409	11,289	28,324
Depreciation and amortization	6,055	8,045	14,980	13,215
	250,732	199,340	559,287	680,322

9. SEGMENTED INFORMATION

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

	December 31, 2016		
	Canada	USA	Total
	\$	\$	\$
Current assets	2,254,271	46,606	2,300,877
Capital assets	489	69,287	69,776
Exploration and evaluation assets	-	57,215,027	57,215,027
Total assets	2,254,760	57,330,920	59,585,680

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

December 31, 2016 (unaudited - in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

During the three and six months ended December 31, 2016, the Company incurred administration expenses of \$21,000 and \$42,000, respectively from Reunion Gold Corporation, a related party by virtue of common management (\$72,039 and \$186,016 during the three and six months ended December 31, 2015, respectively).

During the three and six months ended December 31, 2016, the Company recovered amounts of \$42,321 and \$63,348, respectively for the provision of management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation (nil during the three and the six months ended December 3, 2015). The services are provided at cost.

At December 31, 2016, the Company had an amount receivable from Reunion Gold Corporation of \$106,633 (an amount due of \$25,543 at June 30, 2016).

Loan from a director

David Fennell, the Company's chairman and interim president and CEO advanced funds of \$483,489 during the six months ended December 31, 2016, through a company wholly-owned by David Fennell, to ensure that critical payments to maintain the Company in good standing were being made. These advances bore interest at the rate of 1% per month on the principal amount. On December 12, 2016, the Company settled the amount of the debt due to Mr. Fennell, by issuing common shares and share purchase warrants (Note 6).

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

Remuneration of directors and key management of the Company

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

	Three months ended December 31,		Six months ended December 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries, benefits and director fees	121,690	(89,559)	240,323	80,897
Consulting fees	85,413	89,084	143,244	210,261
Share-based compensation	5,502	19,204	11,820	29,916
	212,605	18,729	395,387	321,074