Highland Copper Company Inc.

MANAGEMENT'S DISCUSSION & ANALYSIS

Year ended June 30, 2016

HIGHLAND COPPER COMPANY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2016

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 25, 2016, covers the years ended June 30, 2016 and 2015 and should be read in conjunction with the audited consolidated financial statements and related notes at June 30, 2016 and 2015 (the "June 30, 2016 and 2015 consolidated financial statements"). The June 30, 2016 and 2015 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 Michigan, USA. Highland's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol HI. At October 25, 2016, the Company had 153,968,626 common shares issued and outstanding.

The Company has assembled a number of advanced-stage copper projects located in Michigan's Upper Peninsula region, including **Copperwood**, a feasibility stage project, acquired in June 2014 from Orvana Minerals Corp. ("Orvana"), **White Pine** subject to final closing of the acquisition from Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd.), and **Keweenaw**, which includes the 543S and the G-2 deposits (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC). The Company has also entered into lease agreements entitling the Company to explore and develop certain other projects located in the same area.

FINANCIAL CONDITION

At June 30, 2016, the Company had a working capital deficiency of $4,281,894. The Company requires additional funds to settle its working capital deficit, to meet its exploration and development objectives, to complete the acquisition of the White Pine property (including an amount to replace the current environmental financial assurance bond), to maintain its mineral leases in good standing, and to provide for management and administration expenses for at least the next 12 months. Such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements. Since August 1, 2016, critical payments required to maintain the Company in good standing are being made through advances received from the Company's chairman. At October 25, 2016, such advances made to the Company total $400,000 (terms of the advances are described in the *Transactions with Related Parties* section).

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, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

ACTIVITIES DURING THE FINANCIAL YEAR ENDED JUNE 30, 2016

Given the Company's limited financial resources and the current copper price environment, the Company has suspended all of its exploration and development activities, including field work and feasibility and environmental baseline studies, to minimize cash requirements. Additional drilling on the Company's projects, studies and metallurgical tests will recommence as soon as the Company has raised the required funds.

During the year, the Company focused its efforts on advancing discussions with CRC and the Michigan Department of Environmental Quality ("MDEQ") with the aim of completing the acquisition of the White Pine property, assessing various options to finance the Company's exploration and development plans and continuing some of the baseline studies undertaken in prior years.

The Company's priorities for the current financial year is to complete a financing to settle its current liabilities and fund ongoing obligations, including the payment of general and administration expenses for at least the next 12 months, to complete the acquisition of the White Pine property and to recommence activities required to update the feasibility study for its Copperwood Project.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR ENDED JUNE 30, 2016

- On October 6, 2015, the Company completed a non-brokered private placement of 24,426,434 common shares with Osisko Gold Royalties Ltd. ("Osisko") at a price of $0.15 per share for gross proceeds of $3,663,965. Osisko currenty owns 29,420,434 shares, representing approximately 19.1% of the issued and outstanding shares of Highland on a non-diluted basis;
- In November 2015, BRP LLC ("BRP") and the Company agreed to amend the Venture Agreement to provide the Company more time to exercise its option to acquire a 65% interest in the Keweenaw project from BRP. Under the amended Venture Agreement, the period to provide a feasibility study on at least one deposit covered by the Venture Agreement was extended from October 26, 2015 to December 31, 2017. As consideration for this extension, the Company agreed to secure some of the shafts located on the Keweenaw property and submitted a budget for environmental work to be completed as part of the feasibility study;
- On November 20, 2015, Luc Lessard of Osisko Gold Royalties Ltd. joined the board of directors;
- On February 9, 2016, the then Company's interim president and CEO tendered his resignation. David Fennell, the Company's Executive Chairman, was appointed as interim president and CEO of the Company;
- In March 2016, the Company further extended the expiry date of the share purchase warrants originally issued in May 2012 to March 2017 with the exercise price of $0.75 remaining unchanged;
- In April 2015, the Company entered into a 20-year lease, with an option for an additional 5 years, for certain mineral rights located in White Pine, Michigan (the "White Pine Lease"); the leased mineral rights cover an area of approximately 1,816 acres and are located within the White Pine North Project area, but do not belong to the owner of the former White Pine mine. In accordance with the terms of the White Pine Lease, an additional cash payment of US$425,000 was payable by Highland in April 2016 and a cash payment of US$150,000 is due in April 2017; an annual rent of US$25,000 is also payable on each anniversary of the lease, starting in April 2016; given the Company's financial position, the Company did not make the cash payment of US$425,000 or the initial rent payment

of US$25,000 on the due date; the Company is continuing discussions with the lease holder and believes that this matter will be resolved once it has successfully raised the funds necessary to continue its activities;

- During the year, the Company and CRC entered into a number of extension agreements to complete the acquisition of the White Pine property from the original maturity date of December 31, 2015 to December 2, 2016; discussions have been held throughout the year with representatives from CRC, the MDEQ and Highland, supported by various experts in the fields of environmental assessments and water management, with the aim of determining the amount of the environmental financial assurance and completing the final acquisition of the White Pine property; such discussions have been suspended until the Company has successfully raised the funds necessary to continue its activities as described in the *Financial Condition* section, including the posting of the required financial assurance bond with the MDEQ; the Company may need to seek additional extensions from CRC to complete the final acquisition of the White Pine property but there is no assurance that such extensions will be granted;
- As a result of the delay in completing the acquisition of the White Pine property, the Company and Osisko periodically agreed to extend the maturity date of the $10 million secured loan from December 31, 2015 to June 15, 2016; on June 30, 2016, the Company and 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; upon closing of the acquisition of the White Pine property, 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;
- In June 2016, the Company recorded a write-down of the capitalized expenses related to the G-2 deposit ($2,381,614), part of the Keweenaw Project, and the non-renewal of certain leased properties ($273,881) for a total amount of $2,655,495; the exploration work conducted at G-2, mostly during the 2013 financial year, has not resulted in the discovery of commercially viable quantities of mineral resources and given that the Company does not intend to conduct further activities on the G-2 project in the near future has led to the write-down;
- The Company incurred a net loss of $4,216,092 during the year ended June 30, 2016 compared to a net loss of $3,142,794 in 2015.

COPPERWOOD PROJECT

In June 2014, the Company acquired the Copperwood Project through the acquisition from Orvana of all of the outstanding shares of Orvana Resources US Corp. ("Orvana US") for a cash consideration of US$20 million. An additional consideration of up to US$5,000,000 may be paid by Highland in cash or shares of Highland, at Orvana's option, of which US$1.25 million will become due on June 17, 2017 and 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 Porcupine Mountains copper district and about 35 kilometers west of the White Pine property. Copperwood is comprised of long-term mineral leases covering an aggregate of 936 contiguous hectares held by Orvana US. Copperwood is a project at the final feasibility stage. All major permits required for mining the Copperwood Project were obtained or approved in 2012 and 2013, subject to certain conditions, including providing financial assurance.

WHITE PINE PROPERTY

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.

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 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 was completed in October 1995 by the then White Pine chief geologist based on 526 diamond drill holes, a portion of which is located within the White Pine Lease area. The Company has initiated the work required to verify the historical data with the objective of completing a resource estimate.

KEWEENAW PROJECT

The Keweenaw Project, which covers an area of approximately 9,000 acres, includes the 543S and G-2 deposits. Under a Mining Venture Agreement (the "Venture Agreement") with BRP, the Company has an option to acquire a 65 percent interest in the Keweenaw Project, by spending US$11,500,000 in exploration and development work, providing a feasibility study by December 31, 2017 (amended from October 2015 as part of the November 2015 amendment) and securing some of the historical shafts located in the Keweenaw region. At June 30, 2016, a cumulative amount of US$13,096,000 has been spent 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%.

ROYALTY AGREEMENTS WITH OSISKO

On June 30, 2016, the Company and Osisko agreed to amend the terms of their agreement entered into in December 2014 and to convert the $10 million refundable deposit into a 3.0% net smelter return ("NSR") royalty on all metals produced from the mineral rights and leases associated with the Copperwood Project. Upon closing of the acquisition of the White Pine property, 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.

In December 2014, Osisko had made a $10 million refundable deposit on a 3% sliding-scale NSR royalty on all metals from the White Pine North Project (the "White Pine North Royalty"). The Osisko deposit was secured against all of the Company's assets. Upon completion of the acquisition of the White Pine property, the Osisko deposit was to be exchanged for the White Pine North Royalty.

In December 2014, the Company had also granted to Osisko an option to purchase for US$26 million any future silver production from the Company's Michigan projects, including White Pine and Copperwood (the "Silver Royalty"). 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. The option is for a period of 35 years.

As part of the White Pine North Royalty transaction, Osisko has the right to nominate one director to the Board of Highland. To that effect, Luc Lessard was appointed in November 2015. Osisko will also be entitled to nominate one additional director to the Board of Highland if it exercises the Silver Royalty option.

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 executive vice president, project development.

EXPLORATION EXPENSES

Amounts invested in exploration and evaluation assets and capitalized in accordance with the Company's accounting policy, during the years ended June 30, 2016 and 2015 are as follows:

	Year ended June 30,	
	2016	2015
	$	$
Additions		
Property payments	**773,401**	452,318
Site preparation, drilling and assaying	**-**	4,064,485
Labour	**1,217,610**	2,142,759
Studies	**554,438**	1,648,108
Finance expense on promissory note	**-**	583,976
Other expenses	**459,951**	956,605
	3,005,400	9,848,251
Non-cash items		
Property payments in shares	**-**	485,840
Depreciation and amortization	**123,669**	268,895
Gain on disposal of capital assets	**(83,577)**	(7,774)
Share-based compensation	**31,552**	139,869
Accretion on purchase price payable	**463,755**	499,325
Effect of foreign exchange	**1,373,850**	7,687,694
	1,909,249	9,073,849
Sub-total – net additions	**4,914,649**	18,922,100
Other items		
Write-down	**(2,655,495)**	-
Conversion of Osisko loan into NSR royalty	**(10,000,000)**	-
Net change to exploration and evaluation assets during the year	**(7,740,846)**	18,922,100

Cumulative amounts invested by projects are as follows:

	June 30, 2016	June 30, 2015
	$	$
Copperwood	**21,462,768**	29,804,661
White Pine	**18,587,530**	15,447,201
Keweenaw	**13,337,295**	15,642,832
Others	**439,595**	673,340
	53,827,188	61,568,034

SELECTED CONSOLIDATED FINANCIAL INFORMATION (1)(2)

The following selected financial information should be read in conjunction with the Company's June 30, 2016 and 2015 consolidated financial statements.

	June 30, 2016	June 30, 2015
	$	$
Financial Position		
Cash	**201,998**	1,042,341
Working capital deficit	**(4,281,894)**	(12,004,841)
Exploration and evaluation assets	**53,827,188**	61,568,034
Total assets	**54,150,409**	62,950,927
Non-current portion of balance of purchase price payable	**1,289,355**	2,207,430
Shareholders' equity	**48,064,323**	47,307,629

Comprehensive Loss	**Year ended June 30, 2016**	Year ended June 30, 2015	Year ended June 30, 2014
	$	**$**	$
Net loss for the year	**(4,216,092)**	(3,142,794)	(3,423,219)
Basic and diluted loss per share	**(0.03)**	(0.03)	(0.06)
Cash Flows			
Operating activities	**(1,173,090)**	(2,772,930)	(2,166,128)
Investing activities	**(3,343,530)**	(8,459,188)	(21,026,360)
Financing activities	**3,639,008**	9,238,151	20,082,935

1) The Selected Consolidated Financial Information was derived from the Company's June 30, 2016 and 2015 consolidated financial statements, prepared in accordance with IFRS.

2) The Company's June 30, 2016 and 2015 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 fund, completing the acquisition of the White Pine property, acquiring a 65% interest in the Keweenaw Project and retaining its rights under the White Pine lease agreement. 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 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 the Company's June 30, 2016 and 2015 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.

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.

In accordance with its accounting policy, an amount of $4,914,649 in exploration and evaluation expenses was capitalized during the year ended June 30, 2016. These include cash expenses of $3,005,400 (consisting mostly of labor, environmental and tailings related studies and property payments) and non-cash expenses of $1,909,249, including the impact of the weakening of the Canadian dollar during the reporting period in the amount of $1,373,850. In 2016, the capitalized amounts were reduced by an amount of $2,655,495 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.

During the comparative period in 2015, the Company capitalized an amount of $18,922,100 as exploration and evaluation assets, including cash expenses of $9,848,251 (consisting mostly of direct costs related to the completion of 27 drill holes for 19,152 meters at the White Pine North Project, labor, pre-feasibility level studies which had begun in September 2004 on the development of the Company's Michigan projects, property payments and finance expense on the Orvana promissory note which was fully reimbursed in December 2014) and non-cash expenses of $9,073,849, including the impact of the weakening of the Canadian dollar during the 2015 reporting period in the amount of $7,687,694.

The detail of the capitalized exploration and evaluation expenses and the exploration and evaluation assets by project is presented in the *Exploration expenses* section.

Year ended June 30, 2016 compared to year ended June 30, 2015

The Company incurred a net loss of $4,216,092 during the year ended June 30, 2016 compared to a net loss of $3,142,794 in 2015. The increased loss in 2016 is mostly due to the write-down of the capitalized expenses related to the G-2 project and the non-renewal of certain leased properties for a total amount of $2,655,495, partially offset by lower management and administration expenses which totaled $1,486,118 in 2016 compared to $3,087,579 in 2015.

The Company wrote-down to nil the amount capitalized for the G-2 project of $2,381,614 as the exploration conducted at G-2 has not led to the discovery of commercially viable quantities of mineral resources and the Company does not intend to conduct further work at G-2 in the near term. A write-down of $273,881 related to certain leased properties was also recorded in 2016 following the non renewal of these leases.

Management and administration expenses in 2016 reflect lower wages and fees due to reduced activities and the reversal of $263,000 in accrued wages related to the Company's former president and CEO following his resignation in February 2016, lower professional fees (2015 professional fees included legal, audit and tax fees related to the acquisition of the Copperwood project and legal fees related to the $10 million deposit from Osisko), a reduction in investor relations and travel expenses, due to the non-renewal of the investor relations program in the last quarter of 2015, and lower share-based compensation expense (an amount of $48,206 in 2016 compared to $667,777 in 2015, mostly due to the grant in August 2014 of 1,400,000 stock options at a fair value of $0.44 per share compared to 200,000 stock options at a fair value of $0.11 per share during the current reporting period).

At June 30, 2016, unpaid compensation to the Company's directors and officers total $651,000. The payment of these amounts will only be settled once the Company has raised sufficient funds to recommence its activities.

Year ended June 30, 2015 compared to year ended June 30, 2014

The Company incurred a net loss of $3,142,794 during the year ended June 30, 2015 compared to a net loss of $3,423,219 in 2014. Pre-exploration expenses of $1,745,437 incurred at White Pine North in 2014 before the legal right to undertake exploration and evaluation activities had been obtained were partially offset in 2015 by higher administrative and general expenses of $1,363,354 as a result of the increased activities following the acquisition of the White Pine North Project and the Copperwood Project in May and June 2014 and professional fees incurred in relation to the Royalty Agreements with Osisko. Higher share-based remuneration expense was charged to income in 2015 compared to 2014 due to the grant of 1,905,000 stock options in April 2015 and 1,400,000 stock options in August 2014.

4th quarter ended June 30, 2016 compared to the 4th quarter ended June 30, 2015

During the 4th quarter ended June 30, 2016, the Company incurred a net loss of $2,865,206 ($0.02 per share), compared to a net loss of $529,381 ($0.01 per share) during the 4th quarter ended June 30, 2015. Results for the 4th quarter ended June 30, 2016 include a write-down of the amount capitalized at the G-2 deposit of $2,381,614 compared to nil in 2015. Management and administration expenses totaled $491,461 during the period ended June 30, 2016 compared to $528,340 in 2015.

Selected Quarterly Financial Information

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

	Revenues	Net loss	Basic and diluted loss per share
Period ended	$	$	$
June 30, 2016	302	(2,865,206)	(0.02)
March 31, 2016	700	(373,666)	(0.00)
December 31, 2015	2,340	(493,768)	(0.00)
September 30, 2015	588	(483,452)	(0.00)
June 30, 2015	3,359	(529,381)	(0.01)
March 31, 2015	2,325	(436,823)	(0.00)
December 31, 2014	582	(1,011,470)	(0.01)
September 30, 2014	4,092	(1,165,120)	(0.01)

Liquidity and Capital Resources

The Company's working capital deficiency at June 30, 2016 totaled $4,281,894 compared to a working capital deficiency of $12,004,841 at June 30, 2015. The reduction in the working capital deficiency during the year ended June 30, 2016 is mainly attributable to a) the conversion on June 30, 2016 of the $10,000,000 deposit from Osisko into a 3% NSR royalty on metals produced at the Copperwood Project; b) the net proceeds of $3,639,008 received on October 6, 2015 from a non brokered private placement with Osisko of 24,426,434 common shares at $0.15 per share; partially offset by c) the reclassification to current liabilities of a portion of the balance of purchase price payable in the amount of $1,445,087 related to the Copperwood Project, due in June 2017; and d) investments made on the Company's exploration and evaluation assets ($3,005,400, excluding non-cash items) and management and administration expenses ($1,397,710, excluding non-cash items).

The Company needs to raise additional funds to meet all of its obligations, to pursue exploration and development work on its mineral projects and to provide for management and administration expenses. The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The potential sources of future funds presently available to the Company are through the sale of equity capital of the Company, debt financing, joint venture or other arrangements. The ability of the Company to arrange the required financing depends in part upon the price of copper, global economic and capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for continued operations.

Capital Management

The Company defines capital that it manages as loans (including deposit on sale of royalty and balance of purchase price payable) and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. At June 30, 2016, managed capital was $50,798,765 ($59,515,059 at June 30, 2015). There were no changes in the Company's approach to capital management during the year ended June 30, 2016. The Company is not subject to any externally imposed capital requirements as at June 30, 2016.

Off-Balance Sheet Arrangements

At June 30, 2016, the Company has no off-balance sheet arrangements.

Transactions with Related Parties

During the year ended June 30, 2016, the Company incurred administration expenses of $270,658 and purchased office furniture and computer equipment for an amount of $31,681 from Reunion Gold Corporation ("Reunion"), a related party by virtue of common management and directors (administration expenses of $495,633 in 2015). At June 30, 2016, the Company had an amount due to Reunion of $25,543 ($8,022 at June 30, 2015).

On January 1, 2016, the Company entered into separate agreements to provide management and administration services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation. The services are provided at cost. Amounts recovered for management and administration services during the year ended June 30, 2016 amounted to $120,810 (nil in 2015).

David Fennell, the Company's chairman and interim president and CEO has advanced funds of $400,000 since August 1, 2016, to ensure that critical payments to maintain the Company in good standing are being made. These advances bear interest at the rate of 1% per month and the principal and accrued interest will be repayable by the Company on the earlier of the completion of a financing for a minimum amount of $10 million or upon demand at any time after June 30, 2017.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties. The services provided by Reunion under the service agreement include administrative support, corporate and regulatory services, office space, and office equipment and supplies.

Remuneration to directors and key management of the Company totaled $912,677 during the year ended June 30, 2016 ($1,652,772 in 2015).

Outstanding Share Data

At October 25, 2016, the Company has 153,968,626 common shares issued and outstanding, 41,250,000 share purchase warrants exercisable at a price of $0.75 per share until March 31, 2017, and 7,520,000 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. The significant accounting policies of Highland are detailed in the notes to the June 30, 2016 and 2015 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. Actual outcomes could differ from these estimates. The Company's 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 has been extended to December 2, 2016. The Company also requires additional funds 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.

Lease Agreement, White Pine

The Company was required to make cash payments of US$450,000 in April 2016 to the Lessor of certain mineral rights located in White Pine. Given its current financial position, the Company has not yet made these cash payments. The Company is continuing discussions with the Lessor and believes that this matter will be resolved once it has successfully raised the funds necessary to continue its activities. However, there is no assurance that the Company will be successful in raising such funds. Should the Company not be able to resolve this situation, an impairment evaluation of the related exploration and evaluation assets would be required.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, 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.

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.

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 or after January 1, 2018.

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. Earlier application is permitted. IFRS 15 will replace IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. 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. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. The clarifications to IFRS 15 provide additional guidance with respect to the five-step analysis, transition, and the application of the Standard to licenses of intellectual property. The Company intends to adopt IFRS 15 and the clarifications 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 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 or after January 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.

FINANCIAL RISK FACTORS

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

Liquidity Risk

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

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2016:

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	3,019,495	3,019,495	3,019,495	-	-	-
Due to a related party	25,543	25,543	25,543	-	-	-
Balance of purchase price payable	2,734,442	3,229,250	-	1,614,625	1,614,625	-
	5,779,480	6,274,288	3,045,038	1,614,625	1,614,625	-

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 major Canadian-based chartered banks. The Company regularly monitors compliance to its cash management policy. Cash is subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately $2,000.

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 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 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, 2016, financial assets and liabilities denominated in a foreign currency consisted of cash of $7,782 and accounts payable and accrued liabilities of $1,274,644. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately $127,000.

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, the requirement for additional funds to settle its obligations and commitments, and 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 Company may be unable to continue funding the exploration and development of its projects and achieve its business objectives and milestones.
- 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's plans and objectives as well as its ability to raise funds are affected by low copper prices.
- 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 regarding the Company's plans going forward including plans to raise additional funds to pursue the Company's activities and to meet its current obligations, plans to complete the acquisition of the White Pine property and of a 65% interest in the Keweenaw Project, and plans to complete technical studies, additional drilling programs and resource estimates. Other forward looking information in this MD&A includes, but is not limited to, forward-looking information with respect to the requirement for additional capital and other statements relating to the financial and business prospects of the Company.

There can be no assurance that the Company will be successful in its efforts to complete 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 any number of factors, including the inability of the Company to secure the funds necessary to meet its plans and obligations, the inability to complete a resource estimate and technical studies, the conclusions of such studies, and other variables such as lower than expected grades and quantities of resources, changes in demand for and prices of copper, mining rates and recovery rates, legislative, environmental and other regulatory approval or political changes, delays in obtaining or failures to obtain required governmental, environmental or other approvals and sufficient financing, changes in exchange rates, and other factors.

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.

Additional Information and Continuous Disclosure

This MD&A has been prepared as at October 25, 2016. Additional information on the Company is available through regular filings of press releases, financial statements and MD&A on SEDAR (www.sedar.com) and on the Company's website (www.highlandcopper.com).