



**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the three months ended September 30, 2018

In US 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 US dollars)</i>	September 30, 2018	June 30, 2018
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (Note 4)	1,928,357	3,487,847
Sales taxes receivable	17,454	132,093
Prepaid expenses and other	78,504	123,663
	2,024,315	3,743,603
Non-current		
Capital assets	125,821	140,006
Exploration and evaluation assets (Note 5)	32,300,041	31,795,832
TOTAL ASSETS	34,450,177	35,679,441
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,258,724	1,356,742
Current portion of note payable (Note 6)	110,000	110,000
Balance of purchase price payable (Note 7)	1,004,333	1,004,333
Current portion of promissory note (Note 8)	2,628,407	2,501,248
	5,001,464	4,972,323
Non-current		
Note payable (Note 6)	137,500	165,000
Promissory note (Note 8)	6,561,683	6,244,239
Environmental liability	253,759	252,678
TOTAL LIABILITIES	11,954,406	11,634,240
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	66,137,274	66,137,274
Contributed surplus	11,421,899	11,349,577
Deficit	(56,782,463)	(55,123,241)
Cumulative translation adjustment	1,719,061	1,681,591
TOTAL EQUITY	22,495,771	24,045,201
TOTAL LIABILITIES AND EQUITY	34,450,177	35,679,441

Going concern (Note 2)

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

On behalf of the Board,

/s/ Denis Miville-Deschênes
Denis Miville-Deschênes, Director

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

<i>(unaudited, in US dollars)</i>	Three months ended September 30,	
	2018	2017
	\$	\$
Expenses and other items		
Exploration and evaluation (Note 11)	1,036,516	1,808,871
Management and administration (Note 12)	473,992	364,594
Business development	-	59,912
Share-based compensation	72,322	188,704
Depreciation and amortization	13,698	7,616
Accretion on environmental liability	1,081	1,877
Finance expense	35,500	7,700
Finance income	(12,754)	(28,738)
Loss on foreign exchange	38,867	288,830
Net loss for the period	(1,659,222)	(2,699,366)
Other comprehensive income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	37,470	550,258
Comprehensive loss for the period	(1,621,752)	(2,149,108)
Basic and diluted loss per common share	(0.00)	(0.01)
Weighted average number of common shares - basic and diluted	472,933,689	459,148,153

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 US dollars)</i>	Number of issued and outstanding common shares	Share capital	Contributed surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity
		\$	\$	\$	\$	\$
Balance at June 30, 2018	472,933,689	66,137,274	11,349,577	(55,123,241)	1,681,591	24,045,201
Share-based compensation	-	-	72,322	-	-	72,322
Net loss for the period	-	-	-	(1,659,222)	-	(1,659,222)
Foreign currency translation adjustment	-	-	-	-	37,470	37,470
Balance at September 30, 2018	472,933,689	66,137,274	11,421,899	(56,782,463)	1,719,061	22,495,771
Balance at June 30, 2017	459,148,153	64,197,630	11,176,081	(43,551,548)	1,480,157	33,302,320
Share-based compensation	-	-	188,704	-	-	188,704
Net loss for the period	-	-	-	(2,699,366)	-	(2,699,366)
Foreign currency translation adjustment	-	-	-	-	550,258	550,258
Balance at September 30, 2017	459,148,153	64,197,630	11,364,785	(46,250,914)	2,030,415	31,341,916

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 US dollars)</i>	Three months ended September 30,	
	2018	2017
	\$	\$
Operating activities		
Net loss for the period	(1,659,222)	(2,699,366)
Adjustments		
Share-based compensation	72,322	188,704
Depreciation and amortization	13,698	7,616
Unrealized loss on foreign exchange	38,867	288,830
Accretion on environmental liability	1,081	1,877
Finance income accrued	(12,754)	(28,738)
Finance income received	14,043	29,731
Changes in working capital items		
Sales taxes receivable	116,366	(2,124)
Prepaid expenses and other	45,510	(6,622)
Accounts payable and accrued liabilities	(112,328)	83,604
	(1,482,417)	(2,136,488)
Investing activities		
Acquisition of capital assets	-	(56,461)
Additions to exploration and evaluation assets (Note 5)	(53,250)	(88,250)
	(53,250)	(144,711)
Financing activities		
Reimbursement of note payable (Note 6)	(27,500)	(27,500)
Effect of exchange rate changes on cash held in foreign currency	3,677	260,815
Net change in cash and cash equivalents	(1,559,490)	(2,047,884)
Cash and cash equivalents, beginning of period	3,487,847	14,061,705
Cash and cash equivalents, end of period	1,928,357	12,013,821
Supplemental cash flow information		
Finance expense included in exploration and evaluation assets	444,603	438,076

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2018 *(unaudited - in US 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 Company's principal assets, located in Michigan's Upper Peninsula region, include the 100%-owned Copperwood copper project (the "Copperwood Project"), the White Pine copper 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 a mineral exploration property covering approximately 448,000 acres in the Upper Peninsula region, referred to as the UPX property.

All financial results in these unaudited condensed interim consolidated financial statements are expressed in US dollars unless otherwise indicated. Highland's common shares are listed on the TSX Venture Exchange under the symbol HI, and on the OTCQB Venture Marketplace under the symbol "HDRSF".

The Board of Directors approved these consolidated financial statements on November 20, 2018.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 *(unaudited - in US dollars)*

2. GOING CONCERN

To date, the Company has not earned revenues and is in the exploration and development stage. 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 and completing the acquisition of the White Pine Project.

The Company has incurred a net loss of \$1,659,222 during the three months ended September 30, 2018 (a net loss of \$2,699,366 during the three months ended September 30, 2017) and has a deficit of \$56,782,463 at September 30, 2018 (a deficit of \$55,123,241 at June 30, 2018). The Company has a working capital deficiency of \$2,977,149 at September 30, 2018 (a working capital deficiency of \$1,228,720 at June 30, 2018).

The Company requires additional funds to settle its working capital deficiency, to meet all existing commitments, to complete the acquisition of the White Pine Project, to provide for management and administration expenses for the next 12 months and to carry-out its planned exploration and development work, including the development of the Copperwood Project. The Company's primary objective is to raise sufficient funds to ensure that working capital requirements are met for at least the next 12 months. The Company is also working to put in place a project financing package as soon as possible for the development of the Copperwood Project. Although such funding requirements may be met 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 unaudited condensed interim consolidated financial statements, adjustments which could be material would be necessary to the carrying value of assets and liabilities, in particular an impairment of exploration and evaluation assets, as well as adjustments to reported expenses.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

3. BASIS OF PRESENTATION AND CHANGE IN ACCOUNTING POLICY

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. These unaudited condensed interim consolidated financial statements 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, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

New accounting standard

The Company has adopted IFRS 9, *Financial Instruments*, effective July 1, 2018. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes three measurement categories for financial assets: (i) amortized cost; (ii) fair value through profit or loss ("FVPL"); and (iii) fair value through other comprehensive income ("FVOCI"); and it establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between a hedged item and a hedging instrument.

The adoption of this standard did not have an impact on the Company's consolidated financial statements. There was no impact on carrying values and equity as at July 1, 2018 as a result of the adoption of the standard and there were no measurement differences on the Company's financial instruments.

The Company's financial instruments at July 1, 2018 are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

Cash and cash equivalents: Amortized cost under IFRS 9 (loans and receivables, measured at amortized cost under IAS 39)

Accounts payable and accrued liabilities: Amortized cost under IFRS 9 (other financial liabilities, measured at amortized cost under IAS 39).

Note payable, balance of purchase price payable and promissory note: Amortized cost under IFRS 9 (other financial liabilities, measured at amortized cost under IAS 39).

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2018 (unaudited - in US dollars)

4. CASH AND CASH EQUIVALENTS

	September 30, 2018	June 30, 2018
	\$	\$
Cash	677,446	734,984
Cash equivalents	1,250,911	2,752,863
	1,928,357	3,487,847

Cash equivalents is comprised of a term deposit amounting to \$1,250,000, which bears interest at a rate of 1.95% and matures on October 17, 2018.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

5. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	Copperwood Project	White Pine Project (1)	UPX Property	Other Properties	Total
	\$	\$	\$	\$	\$
Balance at June 30, 2018	16,801,384	3,107,246	11,756,257	130,945	31,795,832
Property payments in cash	51,250	-	-	2,000	53,250
Finance expense	-	-	444,603	-	444,603
Effect of change in foreign exchange	-	-	-	6,356	6,356
	51,250	-	444,603	8,356	504,209
Balance at September 30, 2018	16,852,634	3,107,246	12,200,860	139,301	32,300,041
Balance at June 30, 2017	16,505,051	3,082,246	10,016,530	747,906	30,351,733
Property payments in cash	86,250	-	-	2,000	88,250
Finance expense	31,078	-	406,998	-	438,076
Effect of change in foreign exchange	-	-	-	40,411	40,411
	117,328	-	406,998	42,411	566,737
Balance at September 30, 2017	16,622,379	3,082,246	10,423,528	790,317	30,918,470

(1) The final closing of the acquisition of the White Pine Project, which initially was to occur by December 31, 2015, was further extended on August 31, 2018, to November 30, 2018. 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.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

6. NOTE PAYABLE

The note is payable to the Lessor of certain mineral rights located in White Pine, Michigan. It is reimbursable in nine remaining equal quarterly principal amounts of \$27,500, plus interest accruing at the rate of 8% per annum, until December 31, 2020. The balance of the Note Payable was determined as follows:

	Three months ended September 30, 2018
	\$
Balance, beginning of period	275,000
Reimbursements	(27,500)
Balance, end of period	247,500
Current liability	110,000
Non-current liability	137,500
	247,500

7. BALANCE OF PURCHASE PRICE PAYABLE

In connection with the acquisition of the Copperwood Project from Orvana Minerals Corp. ("Orvana") in June 2014, a remaining amount of \$1,000,000 is due to Orvana at September 30, 2018. The remaining amount bears interest at a rate of 12% per annum and is repayable in cash at the earlier of (a) 10 days after the closing of an equity financing by the Company of at least \$4,000,000 and (b) November 30, 2018. If the amount due of \$1,000,000 is not repaid by November 30, 2018, the unpaid amount will bear interest at the rate of 15% per annum from then on and the Company will be required to pay a 2% penalty amount to Orvana.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

8. PROMISSORY NOTE

In connection with the acquisition of the UPX Property from Kennecott Exploration Company and Rio Tinto Nickel Company ("RTX"), subsidiaries of the Rio Tinto Group, on May 30, 2017, the balance of the non-interest-bearing promissory note owed to RTX at September 30, 2018 amounts to \$15.0 million. An amount of \$3.0 million is repayable to RTX on May 30th of 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. 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:

	Three months ended September 30, 2018
	\$
Balance, beginning of period	8,745,487
Accretion included in exploration and evaluation assets, calculated at a rate of 20%	444,603
Balance, end of period	9,190,090
Current liability	2,628,407
Non-current liability	6,561,683
	9,190,090

9. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At September 30, 2018 and June 30, 2018, the Company had 472,933,689 issued and outstanding common shares.

Share purchase warrants

At September 30, 2018 and June 30, 2018, the Company had 1,000,000 share purchase warrants outstanding with an exercise price of C\$0.15, expiring on March 17, 2020.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

10. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended September 30, 2018	
	Number	Weighted average exercise price (C\$)
Options, beginning of period	15,200,000	0.17
Expired	(140,000)	(0.15)
Options, end of period	15,060,000	0.17

The following table reflects the stock options issued and outstanding at September 30, 2018:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
August 1, 2014	1,400,000	0.50	0.8	1,400,000	0.50
April 21, 2015	1,515,000	0.25	1.6	837,500	0.25
November 20, 2015	200,000	0.13	2.1	200,000	0.13
August 28, 2017	8,925,000	0.11	3.9	5,950,000	0.11
October 26, 2017	2,070,000	0.17	4.1	690,000	0.17
May 15, 2018	950,000	0.10	4.6	316,667	0.10
	15,060,000	0.17	3.4	9,394,167	0.19

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

11. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2018	2017
	\$	\$
Labour	614,007	488,427
Studies	183,585	536,330
Drilling and assaying	39,481	559,591
Office, overhead and other administrative costs	199,443	224,523
	1,036,516	1,808,871

12. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2018	2017
	\$	\$
Administrative and general	284,871	203,206
Office	30,951	35,575
Professional fees	102,574	91,495
Investor relations and travel	38,454	25,945
Reporting issuer costs	17,142	8,373
	473,992	364,594

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
September 30, 2018 (unaudited - in US dollars)

13. SEGMENTED INFORMATION

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

	September 30, 2018		
	Canada	USA	Total
	\$	\$	\$
Current assets	1,803,013	221,302	2,024,315
Capital assets	15,079	110,742	125,821
Exploration and evaluation assets	-	32,300,041	32,300,041
Total assets	1,818,092	32,632,085	34,450,177

	June 30, 2018		
	Canada	USA	Total
	\$	\$	\$
Current assets	3,450,383	293,220	3,743,603
Capital assets	17,459	122,547	140,006
Exploration and evaluation assets	-	31,795,832	31,795,832
Total assets	3,467,842	32,211,599	35,679,441

14. OTHER COMMITMENTS

The Company has entered into long-term lease agreements expiring in June 2021 which calls for minimum lease payments of \$177,600 for the rental of office space. Minimum lease payments are \$67,200 in 2019, \$68,600 in 2020 and \$41,800 in 2021.