HIGHLAND
Copper Company Inc.

CONSOLIDATED FINANCIAL STATEMENTS

As at June 30, 2018 and 2017

In US dollars

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Highland Copper Company Inc.

We have audited the accompanying consolidated financial statements of Highland Copper Company Inc., which comprise the consolidated statements of financial position as at June 30, 2018, June 30, 2017, and July 1, 2016, the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended June 30, 2018, and June 30, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Highland Copper Company Inc. as at June 30, 2018, June 30, 2017, and July 1, 2016, and its consolidated financial performance and its consolidated cash flows for the years ended June 30, 2018, and June 30, 2017, in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Comparative information

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the comparative information presented as at and for the year ended June 30, 2017, has been restated and that the comparative information presented as at July 1, 2016, has been derived from the consolidated financial statements as at and for the year ended June 30, 2016.

KPMG LLP*

September 11, 2018

Montréal, Canada

*CPA auditor, CA, public accountancy permit No. A119245

Highland Copper Company Inc.
Consolidated Statements of Financial Position

(in US dollars)	**June 30, 2018**	June 30, 2017	July 1, 2016
	$	$	$
ASSETS		(Note 1- restated)	(Note 1- restated)
Current			
Cash and cash equivalents (Note 4)	**3,487,847**	14,061,705	156,382
Sales taxes receivable	**132,093**	42,423	-
Prepaid expenses and other	**123,663**	64,283	4,825
	3,743,603	14,168,411	161,207
Non-current			
Capital assets (Note 5)	**140,006**	58,453	89,022
Exploration and evaluation assets (Note 6)	**31,795,832**	30,351,733	19,773,626
TOTAL ASSETS	**35,679,441**	44,578,597	20,023,855
LIABILITIES			
Current			
Accounts payable and accrued liabilities	**1,356,742**	1,499,435	2,337,613
Current portion of note payable (Note 7)	**110,000**	110,000	-
Current portion of balance of purchase price payable (Note 8)	**1,004,333**	1,139,767	1,118,748
Current portion of promissory note (Note 9)	**2,501,248**	835,074	-
Due to a related party (Note 16)	-	-	19,775
	4,972,323	3,584,276	3,476,136
Non-current			
Note payable (Note 7)	**165,000**	275,000	-
Balance of purchase price payable (Note 8)	**-**	-	998,185
Promissory note (Note 9)	**6,244,239**	7,170,686	-
Environmental liability (Note 10)	**252,678**	246,315	237,366
TOTAL LIABILITIES	**11,634,240**	11,276,277	4,711,687
SHAREHOLDERS' EQUITY			
Share capital (Note 11)	**66,137,274**	64,197,630	47,531,970
Contributed surplus	**11,349,577**	11,176,081	5,756,400
Deficit	**(55,123,241)**	(43,551,548)	(39,069,008)
Cumulative translation adjustment	**1,681,591**	1,480,157	1,092,806
TOTAL EQUITY	**24,045,201**	33,302,320	15,312,168
TOTAL LIABILITIES AND EQUITY	**35,679,441**	44,578,597	20,023,855

Going Concern (Note 2); Commitments and Contingencies (Note 6 and 21); Event after the Reporting Date (Note 24).

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

On behalf of the Board,

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

/s/ Jo Mark Zurel
Jo Mark Zurel, Director

Highland Copper Company Inc.
Consolidated Statements of Comprehensive Loss

(in US dollars)	Year ended June 30, **2018**	2017
	$	$
		(Note 1 - restated)
Expenses and other items		
Exploration and evaluation (Note 13)	**8,584,241**	2,874,270
Management and administration (Note 14)	**1,698,615**	1,048,024
Business development	**182,373**	199,638
Share-based compensation	**503,512**	20,318
Depreciation and amortization (Note 5)	**44,609**	51,581
Write-down of exploration and evaluation assets (Note 6)	**654,405**	-
Accretion on environmental liability (Note 10)	**6,363**	8,949
Finance expense on loan from a director (Note 16)	**-**	8,664
Finance expense	**31,833**	17,050
Finance income	**(112,343)**	(39,270)
(Gain) loss on foreign exchange	**(21,915)**	293,316
Net loss for the year	**(11,571,693)**	(4,482,540)
Other comprehensive income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	**201,434**	387,351
Total comprehensive loss for the year	**(11,370,259)**	(4,095,189)
Basic and diluted loss per common share (Note 15)	**(0.02)**	**(0.02)**
Weighted average number of common shares - basic and diluted	**464,575,595**	251,264,795

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

Highland Copper Company Inc.
Consolidated Statements of Changes in Shareholders’ Equity

(in US dollars)	**Number of issued and outstanding common shares**	**Share capital**	**Contributed surplus**	**Deficit**	**Cumulative translation adjustment**	**Total shareholders' equity**
		$	**$**	**$**	**$**	**$**
Balance at June 30, 2017 (Note 1 - restated)	**459,148,153**	**64,197,630**	**11,176,081**	**(43,551,548)**	**1,480,157**	**33,302,320**
Shares issued on exercise of warrants (Note 11)	**13,785,536**	**1,939,644**	**(330,016)**	**-**	**-**	**1,609,628**
Share-based compensation	**-**	**-**	**503,512**	**-**	**-**	**503,512**
Net loss for the year	**-**	**-**	**-**	**(11,571,693)**	**-**	**(11,571,693)**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**201,434**	**201,434**
Balance at June 30, 2018	**472,933,689**	**66,137,274**	**11,349,577**	**(55,123,241)**	**1,681,591**	**24,045,201**
Balance at June 30, 2016 (Note 1 - restated)	**153,968,626**	**47,531,970**	**5,756,400**	**(39,069,008)**	**1,092,806**	**15,312,168**
Private placement (Note 11)	300,229,670	17,215,885	5,276,902	-	-	22,492,787
Share issue expenses (Note 11)	-	(885,138)	85,148	-	-	(799,990)
Debt settlement (Note 11)	4,949,857	334,913	37,313	-	-	372,226
Share-based compensation	-	-	20,318	-	-	20,318
Net loss for the year	-	-	-	(4,482,540)	-	(4,482,540)
Foreign currency translation adjustment	-	-	-	-	387,351	387,351
Balance at June 30, 2017	459,148,153	64,197,630	11,176,081	(43,551,548)	1,480,157	33,302,320

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

Highland Copper Company Inc.
Consolidated Statements of Cash Flows

	Year ended June 30,	
(in US dollars)	**2018**	2017
	$	$
		(Note 1 - restated)
Operating activities		
Net loss for the year	**(11,571,693)**	(4,482,540)
Adjustments		
Share-based compensation	**503,512**	20,318
Depreciation and amortization	**44,609**	51,581
Write-down of exploration and evaluation assets	**654,405**	-
Unrealized (gain) loss on foreign exchange	**(21,915)**	293,316
Accretion on environmental liability	**6,363**	8,949
Finance expense on loan from a director	**-**	8,664
Finance income accrued	**(112,343)**	(39,270)
Finance income received	**117,200**	30,006
Changes in other working capital items		
Sales taxes receivable	**(93,614)**	(42,423)
Prepaid expenses and other	**(60,073)**	(59,458)
Accounts payable and accrued liabilities	**(139,221)**	(413,178)
Due to a related party	**-**	(19,775)
	(10,668,437)	(4,643,810)
Investing activities		
Acquisition of capital assets	**(126,777)**	(21,779)
Additions to exploration and evaluation assets	**(239,995)**	(2,284,922)
	(366,772)	(2,306,701)
Financing activities		
Issue of share capital (Note 11)	**1,609,628**	22,492,787
Share capital issue expenses (Note 11)	**-**	(799,990)
Loan from a director (Note 11)	**-**	363,562
Reimbursement of note payable (Note 7)	**(110,000)**	(40,000)
Reimbursement of balance of purchase price payable (Note 8)	**(250,000)**	(1,250,00)
Reimbursement of promissory note (Note 9)	**(1,000,000)**	-
	249,628	20,766,359
Effect of exchange rate changes on cash held in foreign currency	**211,723**	89,475
Net change in Cash and cash equivalents	**(10,573,858)**	13,905,323
Cash and cash equivalents, beginning of the year	**14,061,705**	156,382
Cash and cash equivalents, end of the year	**3,487,847**	14,061,705

Supplemental cash flow information (Note 22)

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

1. GENERAL INFORMATION AND CHANGE IN PRESENTATION CURRENCY

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together “Highland” or the “Company”) are primarily engaged in the acquisition, exploration and development of mineral properties in Michigan, USA. The address of the Company’s registered office is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7. Highland’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol HI. On October 23, 2017, the Company’s common shares started trading on the OTCQB Venture Marketplace (the "OTCQB"), a U.S. trading platform that is operated by the OTC Markets Group in New York. The Company trades on the OTCQB under the symbol "HDRSF".

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.

The Board of Directors approved these consolidated financial statements on September 11, 2018.

Change in presentation currency

Prior to July 1, 2017, the Company reported its annual and quarterly consolidated statements of financial position, comprehensive loss, shareholder’s equity and cash flows in Canadian dollars. Effective July 1, 2017, the Company changed its reporting currency to the United States dollar to facilitate the comparability of the Company’s financial information with similar mining companies. In accordance with International Accounting Standard 21, *The Effects of Changes in Foreign Exchange Rates*, the Company’s consolidated financial statements for all periods presented have been translated into US dollars. The consolidated statements of comprehensive loss and the consolidated statements of cash flows for each year have been translated into the presentation currency using the average exchange rate prevailing during each year. All assets and liabilities have been translated using the exchange rate prevailing at the statements of financial position dates. Equity transactions have been translated at the exchange rate in effect on the date of the specific transaction. All resulting exchange differences arising from the translation are included in other comprehensive income or loss as foreign currency translation adjustments. All comparative financial information has been restated to reflect the Company’s results as if they had been historically reported in US dollars.

2. GOING CONCERN

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

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

The Company has incurred a net loss of $11,571,693 during the year ended June 30, 2018 ($4,482,540 in 2017) and has a deficit of $55,123,241 at June 30, 2018 (a deficit of $43,551,548 at June 30, 2017). The Company has a working capital deficiency of $1,228,720 at June 30, 2018 (a working capital of $10,584,135 at June 30, 2017).

The Company will require 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 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. SUMMARY OF ACCOUNTING POLICIES

a) Statement of compliance

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

b) Basis of measurement

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

c) Basis of consolidation

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

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

d) Foreign currency translation

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

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

d) Foreign currency translation (continued)

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

e) Financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

f) Cash and cash equivalents

Cash and cash equivalents include cash balances and highly liquid investments with original maturities of three months or less.

g) Capital assets

Intangibles

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

Property, plant and equipment

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

h) Exploration and evaluation assets

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

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

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

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

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

i) Impairment of non-financial assets

At the end of each reporting date, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Factors which could trigger an impairment review include, but are not limited to, the expiration of the right to explore in the specific area during the period or said right will expire in the near future and is not expected to be renewed; substantive expenditures in a specific area are neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that the

3. SUMMARY OF ACCOUNTING POLICIES (continued)

i) Impairment of non-financial assets (continued)

carrying amount of the assets is unlikely to be recovered in full from successful development or by sale due to significant negative industry or economic trends and a significant drop in commodity prices.

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

j) Provisions and contingent liabilities

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

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

k) Income taxes

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

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

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

l) Equity

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

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

m) Share-based payment transactions

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

n) Loss per share

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

o) Significant accounting judgments and estimates

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

Title to mineral property interests

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

The final closing of the acquisition of the White Pine Project can only be completed once the Company has i) released Copper Range Company ("CRC") of a $2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation in a manner that is acceptable to all parties involved, including the applicable governmental authorities; and ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality ("MDEQ"). Final closing, which initially was to occur by December 31, 2015, was extended on a number of occasions until August 31, 2018, and on that date was further extended to November 30, 2018 (Note 24). The Company will also need to post the required financial assurance bond with the MDEQ. The Company believes that it will be able to meet these conditions. However, meeting these conditions is dependent on a number of factors, not all of which are under the Company's control, and there is no assurance that they will be met. Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project which would trigger an impairment evaluation of the related exploration and evaluation assets.

3. SUMMARY OF ACCOUNTING POLICIES (continued)

o) Significant accounting judgments and estimates (continued)

Exploration and evaluation assets

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

Fair value of liabilities

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

Environmental liability

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

Going concern

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

3. SUMMARY OF ACCOUNTING POLICIES (continued)

p) 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.

IFRS 9, Financial Instruments

The 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"). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces limited changes relating to financial liabilities and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The accounting for the instruments held by the Company and the line item in which they are included in the consolidated statements of financial position will not be affected on the adoption of IFRS 9 (effective July 1, 2018), and no measurement adjustments will be required to the Company's financial assets and liabilities.

IFRS 15, Revenue from Contracts with Customers

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

June 30, 2018 and 2017 (in US dollars)

3. SUMMARY OF ACCOUNTING POLICIES (continued)

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

IFRS 16, Leases

In January 2016, the IASB published IFRS 16, *Leases* ("IFRS 16") which will replace IAS 17, *Leases* ("IAS 17"). IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted. 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. Leases become an on-balance-sheet liability that attract interest, together with a new asset. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23, *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its consolidated financial statements for the annual period beginning on July 1, 2019. The Company does not expect the Interpretation to have a material impact on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	June 30, 2018	June 30, 2017
	$	$
Cash	**734,984**	14,061,705
Cash equivalents	**2,752,863**	-
	3,487,847	14,061,705

Cash equivalents is comprised of a term deposit amounting to $2,750,000, which bears interest at a rate of 1.9% and matures on July 11, 2018.

June 30, 2018 and 2017 (in US dollars)

5. CAPITAL ASSETS

Capital assets subject to depreciation and amortization are presented below.

	Intangible assets	Vehicles	Computer equipment and furniture	Exploration equipment	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance at June 30, 2016	106,767	71,319	152,329	372,169	65,744	768,328
Additions	-	-	1,329	-	20,450	21,779
Disposals	(61,421)	-	(83,412)	(163,378)	(65,744)	(373,955)
Effect of foreign exchange	(205)	119	(1,032)	188	(450)	(1,380)
Balance at June 30, 2017	45,141	71,438	69,214	208,979	20,000	414,772
Additions	-	**37,384**	**62,943**	**11,450**	**15,000**	**126,777**
Write-down	**-**	**-**	**(32,650)**	**(34,179)**	**-**	**(66,829)**
Effect of foreign exchange	**-**	**-**	**(1,255)**	**-**	**-**	**(1,255)**
Balance at June 30, 2018	**45,141**	**108,822**	**98,252**	**186,250**	**35,000**	**473,465**
Accumulated depreciation and amortization						
Balance at June 30, 2016	106,462	47,028	137,370	322,702	65,744	679,306
Disposals	(61,421)	-	(83,412)	(163,378)	(65,744)	(373,955)
Depreciation and amortization	296	19,164	13,259	18,862	-	51,581
Effect of foreign exchange	(196)	34	(638)	187	-	(613)
Balance at June 30, 2017	45,141	66,226	66,579	178,373	-	356,319
Depreciation and amortization	**-**	**12,891**	**12,407**	**9,589**	**9,722**	**44,609**
Write-down	**-**	**-**	**(32,650)**	**(34,179)**	**-**	**(66,829)**
Effect of foreign exchange	**-**	**-**	**(640)**	**-**	**-**	**(640)**
Balance at June 30, 2018	**45,141**	**79,117**	**45,696**	**153,783**	**9,722**	**333,459**
Carrying amounts						
Balance at June 30, 2016	305	24,291	14,959	49,467	-	89,022
Balance at June 30, 2017	-	5,212	2,635	30,606	20,000	58,453
Balance at June 30, 2018	**-**	**29,705**	**52,556**	**32,467**	**25,278**	**140,006**

June 30, 2018 and 2017 (in US dollars)

6. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	Copperwood Project	White Pine Project	UPX Property	Other properties	Total
	$	$	$	$	$
Balance, June 30, 2016	16,121,707	2,932,246	-	719,673	19,773,626
Property payments in cash	110,510	150,000	9,885,288	24,412	10,170,210
Finance expense	272,834	-	131,242	-	404,076
Effect of foreign exchange	-	-	-	3,821	3,821
	383,344	150,000	10,016,530	28,233	10,578,107
Balance, June 30, 2017	16,505,051	3,082,246	10,016,530	747,906	30,351,733
Property payments in cash	**186,100**	**25,000**	**-**	**28,895**	**239,995**
Finance expense	**110,233**	**-**	**1,739,727**	**-**	**1,849,960**
Write-down	**-**	**-**	**-**	**(654,405)**	**(654,405)**
Effect of foreign exchange	**-**	**-**	**-**	**8,549**	**8,549**
	296,333	**25,000**	**1,739,727**	**(616,961)**	**1,444,099**
Balance, June 30, 2018	**16,801,384**	**3,107,246**	**11,756,257**	**130,945**	**31,795,832**

6. EXPLORATION AND EVALUATION ASSETS (continued)

Copperwood Project, Michigan, USA

In June 2014, the Company acquired the Copperwood Project through the acquisition from Orvana Minerals Corp., a TSX-listed company ("Orvana"), of all of the outstanding shares of CRI. As part of the acquisition of the Copperwood Project, the Company paid in cash as additional consideration an amount of $1,250,000 on June 17, 2017 and was required to pay in cash or shares of Highland, at Orvana's option, an additional amount of $1,250,000 on June 17, 2018. On May 28, 2018, the Company and Orvana agreed to amend the terms of the payment due on June 17, 2018, as described in Note 8.

An additional amount of $1,250,000 may also be payable if the average copper price for any 60 calendar day period following the first anniversary and preceding the second anniversary of commencement of commercial production is greater than $4.25/lb; and an additional amount of $1,250,000 may be payable if the average copper price for any 60 calendar day period following the second anniversary and preceding the third anniversary of the commencement of commercial production is greater than $4.50/lb (for a total of $2,500,000 accounted for as a "Contingent Consideration"). The contractual Contingent Consideration will only be recognized if and when the contingency is satisfied.

The Copperwood Project consists of a number of mineral leases, which call for annual rental payments until 2036. The mineral leases are also subject to quarterly Net Smelter Return ("NSR") royalty payments that will range from 2% to 4% on a sliding scale based on inflation-adjusted copper prices. Under the mineral leases, the Company will have mineral rights until the later of the 20th anniversary of the date of the lease or the date the Company ceases to be actively engaged in development, mining, or related operations on the property. The mineral leases may be terminated by the Company on 60 days' notice.

6. EXPLORATION AND EVALUATION ASSETS (continued)

White Pine Project, Michigan, USA

On May 13, 2014 (the interim closing date), the Company acquired from CRC all of CRC's rights, title and interest in the White Pine Project. The final closing of the acquisition will be completed once Highland has (i) released CRC of a $2.85 million financial assurance letter of credit associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. At that time, Highland will assume all of CRC's environmental liabilities related to White Pine and will also be responsible for all on-going environmental obligations. Final closing, which initially was to occur by December 31, 2015, was extended on a number of occasions until August 31, 2018, and was further extended on that date to November 30, 2018 (Note 24). Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project.

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

Upon completion of a feasibility study and receipt of all necessary permits for the development of a mine at White Pine, the Company will pay to CRC as additional consideration, in cash or in common shares of Highland, at the option of CRC, an amount equal to $0.005 (one half of one cent) per pound for the first 1 billion pounds of proven and probable reserves of copper and $0.0025 (one quarter of one cent) for each additional pound of proven and probable reserves of copper (the "Contingent Consideration"). At June 30, 2018, 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.

6. EXPLORATION AND EVALUATION ASSETS (continued)

Lease Agreement, White Pine, Michigan, USA

In April 2015, the Company entered into a 20-year lease agreement, with an option for an additional 5 years, for certain mineral rights located in White Pine, Michigan. In accordance with the terms of the agreement with the holder of the mineral rights (the "Lessor"), an additional cash payment of $575,000 was to be made to the Lessor by the Company. On December 30, 2016, the Company entered into an amended agreement with the Lessor providing a revised schedule of payments for the amount of $575,000 owed to the Lessor, as described in Note 7. The lease agreement also calls for annual lease payments of $25,000 for the first five years, $30,000 for the sixth and seventh years and $1,000,000 thereafter.

Upon commencement of production, Highland will have to pay to the Lessor a sliding scale royalty on copper and silver production from the leased mineral rights with a base royalty of 2% for copper and 2.5% for silver. The Company has an option to repurchase 50% of the royalties. Highland may terminate the lease at any time upon a 30-day notice.

Osisko royalty and option to purchase silver production

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

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

6. EXPLORATION AND EVALUATION ASSETS (continued)

UPX Property

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

The UPX Property was acquired for a total consideration of $18.0 million. A cash payment of $2.0 million was made at the acquisition date and the Company issued a $16 million secured non-interest-bearing promissory note (the "Note") that provides for the payment of $1.0 million on the first anniversary of the acquisition (payment made on May 30, 2018), and $3.0 million on each of the second, third, fourth, fifth and sixth anniversary of the acquisition. The payments under the Note will be accelerated if Highland publicly releases a feasibility study covering any portion of the UPX Property. The Note is secured by a 1st priority security interest over the acquired property.

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

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

Other properties

Under a Mining Venture Agreement with BRP dated July 2011 and subsequently amended, the Company has an option to acquire a 65 percent interest in the Keweenaw Project by spending $11,500,000 in exploration work, providing a feasibility study by December 31, 2018 and securing some of the historical shafts located on the Keweenaw region. At June 30, 2018, the Company has written-off the amount of $654,405 in exploration and evaluation assets related to the Keweenaw Project as it does not plan to conduct any significant work on this property in the near term.

In December 2012, the Company entered into a lease agreement with a Michigan corporation for the exploration and development of mineral properties in the Upper Peninsula of the State of Michigan, which lease agreement was subsequently amended in September 2016 following the non-renewal of a portion of the leased area. The lease has a primary term of 10 years and may be extended for an additional 10 years under certain conditions.

June 30, 2018 and 2017 (in US dollars)

7. 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 6 - *Lease Agreement, White Pine, Michigan, USA)* for the remaining amount of $575,000 owed to the Lessor. Under the terms of the amended agreement, the Company paid an amount of $135,000 on December 30, 2016 and agreed to pay the balance of $440,000 in sixteen 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:

	Year ended June 30,	
	2018	2017
	$	$
Balance, beginning of year	**385,000**	-
Conversion of accounts payable to note payable	**-**	425,000
Addition	**-**	150,000
Reimbursements	**(110,000)**	(190,000)
Balance, end of year	**275,000**	385,000
Current liability	**110,000**	110,000
Non-current liability	**165,000**	275,000
	275,000	385,000

June 30, 2018 and 2017 (in US dollars)

8. BALANCE OF PURCHASE PRICE PAYABLE

In connection with the acquisition of the Copperwood Project, the Company accounted for the estimated fair value of the balance of purchase price payable using a discount rate of 20%. On May 28, 2018, the Company and Orvana amended the repayment terms of the final amount due and as such, a payment of $250,000 was made on June 17, 2018 and the remaining amount of $1,000,000 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 $4,000,0000 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.

The balance of purchase price payable is as follows:

	Year ended June 30,	
	2018	2017
	$	$
Balance, beginning of year	**1,139,767**	2,116,933
Accretion included in exploration and evaluation assets	**110,233**	272,834
Reimbursement	**(250,000)**	(1,250,000)
Accrued interest at the rate of 12% per annum	**4,333**	-
Balance, end of year	**1,004,333**	1,139,767

June 30, 2018 and 2017 (in US dollars)

9. PROMISSORY NOTE

The Company issued a $16 million secured non-interest-bearing promissory note (the “Note”) to RTX, as remaining consideration for the acquisition of the UPX Property described in Note 6, that provides for the payment of $1.0 million on the first anniversary of the acquisition (payment made on May 30, 2018) and $3.0 million on each of the second, third, fourth, fifth and sixth anniversary of the acquisition. The payments under the Note will be accelerated if Highland publicly releases a feasibility study covering any portion of the UPX Property. Given that the Note is non-interest bearing, the Company accounted for its estimated fair value using a discount rate of 20%. The balance of the Note was determined as follows:

	Year ended June 30,	
	2018	2017
	$	$
Balance, beginning of year	**8,005,760**	-
Promissory Note from RTX, discounted at the rate of 20%	**-**	7,874,518
Accretion included in exploration and evaluation assets	**1,739,727**	131,242
Reimbursement	**(1,000,000)**	-
Balance, end of year	**8,745,487**	8,005,760
Current liability	**2,501,248**	835,074
Non-current liability	**6,244,239**	7,170,686
	8,745,487	8,005,760

10. ENVIRONMENTAL LIABILITY

The environmental liability consists of a provision for reclamation costs related to the acquisition of the White Pine Project (Note 6). The undiscounted cash flow amount of the liability is estimated at $270,000. The present value of the liability was calculated using a discount rate of 8.0% and is reflecting payments to be made until 2028, inclusively.

	Year ended June 30,	
	2018	2017
	$	$
Balance, beginning of year	**246,315**	237,366
Accretion expense	**6,363**	8,949
Balance, end of year	**252,678**	246,315

11. SHARE CAPITAL

Authorized

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

Issuance of common shares

During the year, the Company issued a total of 13,785,536 common shares following the exercise of an equivalent number of share purchase warrants at a price of C$0.15 per share for total proceeds of $1,609,628 (C$2,067,830). A total of 138,804,226 unexercised share purchase warrants expired during the year.

Between November 30, 2016 and March 24, 2017, the Company completed in four tranches a non-brokered private placement for gross proceeds of $22,492,787 (C$30,022,967) (the "Financing"). A total of 300,229,670 units, each unit comprised of one common share of the Company and one half of one share purchase warrant ("Warrant"), were sold at C$0.10 per unit. Each Warrant was exercisable for a period of 12 months from its respective closing date at an exercise price of C$0.15 to acquire one common share. Proceeds of the Financing were allocated between common shares and Warrants based on their relative fair values. The fair value of the common shares was calculated by using the subscription price of the Financing and the value of the Warrants was measured based on the Black-Scholes option pricing model, using a weighted-average risk-free interest rate of 0.74%, an expected life of the Warrants of one year, an annualized weighted-average volatility of 96% and a dividend rate of 0%. An amount of $5,276,902 was allocated to such Warrants and was presented as part of contributed surplus.

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

June 30, 2018 and 2017 (in US dollars)

11. SHARE CAPITAL (continued)

Issuance of common shares (continued)

As part of the Financing, the Company paid finders' fees totaling $710,120 and granted 1,000,000 compensation warrants exercisable into 1,000,000 common shares at an exercise price of C$0.15 per share expiring on March 17, 2020. The fair value of the compensation warrants, estimated at $85,148 and presented as share issue expenses, was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.75%, an expected life of three years, an annualized volatility of 100% and a dividend rate of 0%. The Company also incurred other share issue expenses of $89,870.

On December 12, 2016, the Company settled an outstanding indebtedness in the amount of $372,226 (C$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 entitled the holder to purchase one common share of the Company for a period of 12 months from the closing date at an exercise price of C$0.15 to acquire one common share. The amount of the Debt Settlement was allocated between common shares and Warrants based on their relative fair values. The fair value of the common shares was calculated by using the subscription price of the Debt Settlement and the value of the Warrants was measured based on the Black-Scholes option pricing model, using a risk-free interest rate of 0.69%, an expected life of the Warrants of one year, an annualized volatility of 89% and a dividend rate of 0%. An amount of $37,313 was allocated to such Warrants and was presented as part of contributed surplus.

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

Share purchase warrants

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

	Year ended June 30,	
	2018	2017
Number of warrants		
Balance, beginning of year	**153,589,762**	56,455,373
Granted	**-**	153,589,762
Exercised	**(13,785,536)**	-
Expired	**(138,804,226)**	(56,455,373)
Balance, end of year	**1,000,000**	153,589,762

June 30, 2018 and 2017 (in US dollars)

11. SHARE CAPITAL (continued)

The following table reflects the number of issued and outstanding share purchase warrants at June 30, 2018:

Grant date	**Number of warrants June 30, 2017**	Exercised	Expired	**Number of warrants June 30, 2018**	Price per share (C$)	Expiry date
November 30, 2016	15,140,000	(8,391,250)	(6,748,750)	**-**	-	-
December 12, 2016	2,474,928	-	(2,474,928)	**-**	-	-
February 22, 2017	9,574,545	(4,185,986)	(5,388,559)	**-**	-	-
March 17, 2017	76,730,714	(1,000,000)	(75,730,714)	**-**	-	-
March 17, 2017	1,000,000	-	-	**1,000,000**	0.15	Mar 17, 2020
March 24, 2017	48,669,575	(208,300)	(48,461,275)	**-**	-	-
	153,589,762	(13,785,536)	(138,804,226)	**1,000,000**	0.15	
Average price (C$)	0.15	0.15	(0.15)	**0.15**		

The closing market price of the Company's shares when the share purchase warrants were exercised between November 30, 2017 and March 24, 2018 varied between C$0.12 and C$0.14 per share.

12. STOCK OPTIONS

The following table sets out the activity in stock options:

		Year ended June 30, 2018		Year ended June 30, 2017
	Number	**Average exercise price (C$)**	Number	Average exercise price (C$)
Number of options				
Balance, beginning of year	**7,455,000**	**0.48**	7,522,000	0.48
Granted	**12,045,000**	**0.12**	-	-
Expired	**(4,300,000)**	**(0.58)**	(67,000)	(0.43)
Balance, end of year	**15,200,000**	**0.17**	7,455,000	0.48

On August 28, 2017, the Company granted a total of 9,025,000 stock options to its directors, officers, employees and consultants. The stock options granted will vest over 2 years.

On October 26, 2017, the Company granted a total of 2,070,000 incentive stock options to a director, an officer and employees. The stock options granted will vest over 2 years.

June 30, 2018 and 2017 (in US dollars)

12. STOCK OPTIONS (continued)

On May 15, 2018, the Company granted a total of 950,000 stock options to employees. The stock options granted will vest over 2 years.

The following table provides a summary of stock options granted and related Black-Scholes option pricing model input factors used:

	Year ended June 30,	
	2018	2017
	$	$
Number of stock options granted during the year	**12,045,000**	-
Weighted-average exercise price (C$)	**0.12**	-
Weighted average grant date market price (C$)	**0.12**	-
Expected stock option life (years)	**5**	-
Expected volatility (%)	**84.0%**	-
Risk-free interest rate (%)	**1.60%**	-
Weighted-average grant date fair value (Black-Scholes value) (C$)	**0.07**	-

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

Issue date	Number of options	Exercise price	Remaining contratual life	Number of exercisable options	Exercise price of exercisable options
		C$	(years)		C$
August 1, 2014	1,400,000	0.50	1.1	1,400,000	0.50
April 21, 2015	1,555,000	0.25	1.8	880,000	0.25
November 20, 2015	200,000	0.13	2.4	200,000	0.13
August 28, 2017	9,025,000	0.11	4.2	3,008,333	0.11
October 26, 2017	2,070,000	0.17	4.3	690,000	0.17
May 15, 2018	950,000	0.10	4.9	316,667	0.10
	15,200,000	0.17	3.7	6,495,000	0.22

June 30, 2018 and 2017 (in US dollars)

13. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Year ended June 30,	
	2018	2017
	$	$
Drilling and assaying	**1,386,707**	1,152,522
Labour	**2,450,433**	857,770
Studies	**3,836,509**	412,543
Office, overhead and other administrative costs	**910,592**	451,535
	8,584,241	2,874,270

14. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Year ended June 30,	
	2018	2017
	$	$
Administrative and general	**1,032,772**	700,716
Office	**119,500**	114,152
Professional fees	**271,862**	139,339
Investor relations and travel	**209,881**	72,073
Reporting issuer costs	**64,600**	21,744
	1,698,615	1,048,024

15. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2018 was based on the loss attributable to common shareholders of $11,571,693 ($4,482,540 in 2017) and the weighted average number of common shares outstanding of 464,575,595 (251,264,795 in 2017). Excluded from the calculation of the diluted loss per share for the year ended June 30, 2018 are 1,000,000 share purchase warrants and 15,200,000 stock options (153,589,762 share purchase warrants and 7,455,000 stock options in 2017) because to include them would be anti-dilutive as they would have the effect of decreasing the loss per share.

June 30, 2018 and 2017 (in US dollars)

16. RELATED PARTY TRANSACTIONS

The detail of transactions between the Company and its related parties, in addition to the loan settlement transaction described in Note 11, are as follows:

During the year ended June 30, 2018, the Company incurred administration expenses of $67,151 from Reunion Gold Corporation, a related party by virtue of common management and directors (administration expenses of $76,474 from Reunion Gold Corporation in 2017).

During the year ended June 30, 2018, the Company recovered amounts of $186,010 for management services to other TSXV-listed companies, related by virtue of common key management, including Odyssey Resources Limited and Reunion Gold Corporation (an amount of $114,696 was recovered during the year ended June 30, 2017). The services are provided at cost. At June 30, 2018, the Company had an amount receivable from Odyssey Resources Limited of $3,935, included in prepaid expenses and other on the consolidated statements of financial position (nil at June 30, 2017).

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

Settlement payment to the Company's former president and CEO

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

Remuneration of directors and key management of the Company

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

	Year ended June 30,	
	2018	2017
	$	$
Management and administration expenses	**664,346**	504,311
Exploration and evaluation expenses	**-**	187,719
Share-based compensation included in management and administration expenses	**282,537**	11,414
Share-based compensation included in exploration and evaluation expenses	**-**	2,148
	946,883	705,592

June 30, 2018 and 2017 (in US dollars)

17. INCOME TAXES

The reconciliation of the effective tax rate is as follows:

				Year ended June 30,
		2018		2017
		$		$
				(Note 1 - restated)
Loss before income tax		**(11,571,693)**		(4,482,540)
Tax using the Company's domestic tax rate	**26.75%**	**(3,095,428)**	26.90%	(1,205,779)
Share-based compensation	**(1.16%)**	**134,384**	(0.08%)	3,462
Non-deductible expenses and non-taxable revenues	**(0.04%)**	**4,553**	0.00%	83
Effect of tax rate in foreign jurisdictions	**3.92%**	**(453,352)**	7.92%	(354,873)
Unrecognized tax assets	**0.94%**	**(109,280)**	(34.54%)	1,548,418
Impact of newly-enacted tax rates	**(29.00%)**	**3,356,060**	(0.88%)	39,042
Other	**(1.41%)**	**163,063**	0.68%	(30,353)
Deferred income tax	**-**	**-**	-	-

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

			June 30, 2018
	Assets	**Liabilities**	**Net**
	$	**$**	**$**
Advances in foreign currency	**-**	**(412,808)**	**(412,808)**
Non-capital loss carry-forwards	**412,808**	**-**	**412,808**
	421,808	**(412,808)**	**-**
Offsetting of tax assets and liabilities	**(412,808)**	**412,808**	**-**
	-	**-**	**-**

			June 30, 2017
	Assets	Liabilities	Net
	$	$	$
Advances in foreign currency	-	(335,990)	(335,990)
Non-capital loss carry-forwards	335,990	-	335,990
	335,990	(335,990)	-
Offsetting of tax assets and liabilities	(335,990)	335,990	-
	-	-	-

June 30, 2018 and 2017 (in US dollars)

17. INCOME TAXES (continued)

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

			June 30, 2018
	Canada	**USA**	**Total**
	$	**$**	**$**
Non-capital loss carry-forwards	8,591,819	25,595,301	34,187,120
Capital assets	78,448	298,313	376,761
Exploration and evaluation assets	2,081,172	5,859,997	7,941,169
Share issue expenses	528,218	-	528,218
Financing expenses	18,056	-	18,056
	11,297,713	31,753,611	43,051,324

			June 30, 2017
	Canada	USA	Total
	$	$	$
Non-capital loss carry-forwards	7,211,931	14,038,898	21,250,829
Capital assets	73,661	316,159	389,820
Exploration and evaluation assets	1,546,177	8,756,973	10,303,150
Share issue expenses	851,131	-	851,131
Financing expenses	36,644	-	36,644
	9,719,544	23,112,030	32,831,574

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

June 30, 2018 and 2017 (in US dollars)

17. INCOME TAXES (continued)

Non-capital losses expire as follows:

	USA	Canada
	$	$
2026	-	78,391
2027	-	91,381
2028	-	230,527
2029	-	408,787
2030	-	565,305
2031	-	722,123
2032	-	1,040,617
2033	-	73,041
2034	1,256,944	862,771
2035	7,589,259	1,872,399
2036	1,101,253	785,278
2037	4,408,457	1,631,795
2038	11,239,388	1,787,169
	25,595,301	10,149,584

The deferred income tax on non-capital losses have been partially recognized for an amount of $1,557,765 ($1,267,889 in 2017).

18. CAPITAL MANAGEMENT

The Company defines capital that it manages as loans (including note payable, balance of purchase price payable and promissory note) and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. As at June 30, 2018, managed capital was $34,320,021 ($42,832,847 at June 30, 2017).

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flows. The Company intends to raise such funds as and when required to complete the exploration and development of its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the sale of equity capital of the Company, the exercise of outstanding warrants or stock options, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. There were no changes in the Company's approach to capital management during the year ended June 30, 2018. The Company is not subject to any externally imposed capital requirements as at June 30, 2018.

June 30, 2018 and 2017 (in US dollars)

19. FINANCIAL RISK MANAGEMENT

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors. There were no changes to the financial objectives, policies and processes during the year ended June 30, 2018.

Liquidity risk

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

The following table summarizes the contractual maturities of the Company's financial liabilities at June 30, 2018:

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	1,356,742	1,356,742	855,617	501,125	-	-
Note payable	275,000	275,000	55,000	55,000	165,000	-
Balance of purchase price payable	1,004,333	1,004,333	1,004,333	-	-	-
Promissory note	8,745,487	15,000,000	-	3,000,000	6,000,000	6,000,000
	11,381,562	17,636,075	1,914,950	3,556,125	6,165,000	6,000,000

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 and cash equivalents which are mainly held in accounts with a major Canadian-based chartered bank.

Interest rate risk

The Company's interest rate risk relates to cash and cash equivalents. The Company's current policy on its cash balances is to invest excess cash in guaranteed investment certificates or interest-bearing accounts with a major Canadian-based chartered bank. The Company regularly monitors compliance to its cash management policy. Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect profit or loss by approximately $35,000

19. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

In the normal course of operations, the Company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of each of the entities within the consolidated group. The currencies in which these transactions are denominated are primarily the Canadian and the US dollar. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. All foreign currency transactions are recorded at spot rates. The Board considers this policy appropriate, considering the consolidated entity's size, current stage of operations, financial position and the Board's approach to risk management.

At June 30, 2018, financial assets and liabilities denominated in a foreign currency consisted of cash and cash equivalents of $3,155,805 and accounts payable and accrued liabilities of $37,639. The impact on profit or loss of a 10% increase or decrease in foreign currencies against the Canadian dollar would be approximately $312,000.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities and due to a related party are considered to be a reasonable approximation of fair value due to their immediate or short-term maturity. The fair value of the note payable and the balance of purchase price payable (at June 30, 2018) is considered to be a reasonable approximation of fair value as it bears interest at a rate negotiated between the parties. The fair value of the promissory note and the balance of purchase price payable was determined, at inception, based on discounted cash flows using a rate of 20%, a rate similar to other debt instruments at the date of the consolidated statements of financial position.

21. OTHER COMMITMENTS

In addition to the commitments described in Note 6, the Company has entered into long-term lease agreements expiring in June 2021 which calls for minimum lease payments of $193,300 for the rental of office space. Minimum lease payments are $82,900 in 2019, $68,600 in 2020 and $41,800 in 2021.

June 30, 2018 and 2017 (in US dollars)

22. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended June 30,	
	2018	2017
	$	$
Non-cash items		
Reclassification of accounts payable to note payable	**-**	425,000
Note payable related to exploration and evaluation assets	**-**	150,000
Promissory note related to exploration and evaluation assets	**-**	7,885,288
Accretion included in exploration and evaluation assets (Note 6)	**1,849,960**	404,076
Loan from a director settled by the issue of shares and warrants	**-**	372,226

23. SEGMENTED INFORMATION

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

			June 30, 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	**368,955**	**31,426,877**	**31,795,832**
Total assets	**3,836,797**	**31,842,644**	**35,679,441**

			June 30, 2017
	Canada	USA	Total
	$	$	$
Current assets	14,077,348	91,063	14,168,411
Capital assets	1,318	57,135	58,453
Exploration and evaluation assets	-	30,351,733	30,351,733
Total assets	14,078,666	30,499,931	44,578,597

24. EVENT AFTER THE REPORTING DATE

On August 31, 2018, the Company and CRC agreed to further extend the period to complete the acquisition of the White Pine Project to November 30, 2018.