CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2019

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

(unaudited, in US dollars)	**September 30, 2019**	June 30, 2019
	$	$
ASSETS		
Current		
Cash	**693,134**	605,046
Sales taxes receivable	**32,857**	12,767
Prepaid expenses and other	**54,720**	36,899
	780,711	654,712
Non-current		
Capital assets	**112,450**	81,768
Exploration and evaluation assets (Note 4)	**20,444,691**	20,385,814
TOTAL ASSETS	**21,337,852**	21,122,294
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**910,794**	913,359
Credit facility, including accrued interest (Note 5)	**3,524,043**	2,495,484
Note payable (Note 6)	**110,000**	110,000
Lease liabilities (Note 7)	**45,453**	-
Promissory note (Note 8)	**15,510,438**	15,128,068
	20,100,728	18,646,911
Non-current		
Note payable (Note 6)	**27,500**	55,000
Environmental liability	**259,290**	257,004
TOTAL LIABILITIES	**20,387,518**	18,958,915
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**66,137,274**	66,137,274
Contributed surplus	**11,741,002**	11,681,150
Deficit	**(78,573,530)**	(77,278,822)
Cumulative translation adjustment	**1,645,588**	1,623,777
TOTAL EQUITY	**950,334**	2,163,379
TOTAL LIABILITIES AND EQUITY	**21,337,852**	21,122,294

Going concern (Note 2); Event after the reporting date (Note 15).

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 Net Loss and Comprehensive Loss

	Three months ended September 30,	
(unaudited, in US dollars)	**2019**	2018
	$	$
Expenses and other items		
Exploration and evaluation (Note 11)	**381,908**	1,036,516
Management and administration (Note 12)	**235,603**	473,992
Share-based compensation	**21,368**	72,322
Depreciation and amortization	**21,141**	13,698
Loss on sale of capital assets	**739**	-
Accretion on environmental liability	**2,287**	1,081
Finance expense (Note 13)	**606,172**	35,500
Finance income	**(3,061)**	(12,754)
Loss on foreign exchange	**28,551**	38,867
Net loss for the period	**(1,294,708)**	(1,659,222)
Other comprehensive income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	**87,405**	(433,850)
Item that may be subsequently reclassified to income		
Foreign currency translation adjustment	**(65,594)**	471,320
Comprehensive loss for the period	**(1,272,897)**	(1,621,752)
Basic and diluted loss per common share	**(0.00)**	(0.00)
Weighted average number of common shares - basic and diluted	**472,933,689**	472,933,689

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

(unaudited, 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, 2019	**472,933,689**	**66,137,274**	**11,681,150**	**(77,278,822)**	**1,623,777**	**2,163,379**
Share-based compensation	**-**	**-**	**21,368**	**-**	**-**	**21,368**
Below market element of credit facility (Note 5)	**-**	**-**	**38,484**	**-**	**-**	**38,484**
Net loss for the period	**-**	**-**	**-**	**(1,294,708)**	**-**	**(1,294,708)**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**21,811**	**21,811**
Balance at September 30, 2019	**472,933,689**	**66,137,274**	**11,741,002**	**(78,573,530)**	**1,645,588**	**950,334**
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

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

(unaudited, in US dollars)	**Three months ended September 30,** **2019**	2018
	$	$
Operating activities		
Net loss for the period	**(1,294,708)**	(1,659,222)
Adjustments		
Share-based compensation	**21,368**	72,322
Depreciation and amortization	**21,141**	13,698
Loss on sale of capital assets	**739**	-
Accretion on environmental liability	**2,287**	1,081
Unrealized loss on foreign exchange	**28,551**	38,867
Finance expense	**602,362**	-
Finance income accrued	**(3,061)**	(12,754)
Finance income received	**2,974**	14,043
Changes in working capital items		
Sales taxes receivable	**(20,297)**	116,366
Prepaid expenses and other	**(18,001)**	45,510
Accounts payable and accrued liabilities	**(2,307)**	(112,328)
	(658,952)	(1,482,417)
Investing activities		
Proceeds from sale of capital assets	**5,237**	-
Additions to exploration and evaluation assets (Note 4)	**(63,250)**	(53,250)
	(58,013)	(53,250)
Financing activities		
Credit facility (Note 5)	**850,000**	-
Reimbursement of note payable (Note 6)	**(27,500)**	(27,500)
Repayment of lease liabilities (Note 7)	**(15,688)**	-
	806,812	(27,500)
Effect of exchange rate changes on cash held in foreign currency	**(1,759)**	3,677
Net change in cash and cash equivalents	**88,088**	(1,559,490)
Cash and cash equivalents, beginning of period	**605,046**	3,487,847
Cash and cash equivalents, end of period	**693,134**	1,928,357
Supplemental cash flow information		
Finance expense included in exploration and evaluation assets	**-**	444,603
Lease liabilities included in capital assets	**58,183**	-

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 26, 2019.

2. GOING CONCERN

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

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities. The recovery of amounts recorded for exploration and evaluation assets depends on the ability of the Company to complete the acquisition of the White Pine Project, the ability of the Company to obtain the necessary financing to complete the development of the projects, and future profitable production from the projects or proceeds from their disposition thereof.

To date, the Company has not earned revenues and is in the exploration and development stage. The Company has incurred a net loss of $1,294,708 during the three months ended September 30, 2019 ($1,659,222 during the comparative period in 2018) and has a deficit of $78,573,530 at September 30, 2019 (a deficit of $77,278,822 at June 30, 2019). The Company also has a working capital deficiency of $19,320,017 at September 30, 2019 (a working capital deficiency of $17,992,199 at June 30, 2019), including an amount due of $15,510,438 related to the promissory note described in Note 8, which amount is payable on demand, following default by the Company of the payment of $3,000,000 which was to be made on May 30, 2019.

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 and to provide for management and administration expenses for the next 12 months. The Company has engaged BMO Nesbitt Burns Inc. in July 2019 to act as financial advisor to the Company to review all funding options available, including the sale of assets, the issuance of securities, a merger or other type of arrangement or a combination of assets or entities. However, there is no assurance that the Company will be successful in completing any such transactions. Should the Company not be successful in completing any such transactions, this will have a negative impact on the business, financial condition and results of operation of the Company.

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

3. BASIS OF PRESENTATION AND CHANGE IN ACCOUNTING POLICY

Basis of presentation

These 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, except for the adoption of IFRS 16, *Leases*, described below. These 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, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Adoption of IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual reporting periods on or after January 1, 2019. The Company has adopted IFRS 16 effective July 1, 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17, *Leases* ("IAS 17"), and related interpretations. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. All leases result in the lessee obtaining the right to use an asset at the start of the lease and incurring a financing obligation corresponding to the lease payments to be made over time.

The Company used the modified retrospective approach for transition. As a result, comparative information has not been restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized on the opening balance sheet on July 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as "operating leases" under IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at July 1, 2019 of 20%.

The main impact of IFRS 16 relates to office space leases. Prior to July 1, 219, payments made under operating lease agreements were recognized in profit or loss on a straight-line basis over the period of the lease. From July 1, 2019, leases are recognized as right-of-use assets included in capital assets with a corresponding increase to lease liabilities. At July 1, 2019, the Company recognized a right-of-use assets of $58,183 with a corresponding amount to lease liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use assets are amortized over the lease terms on a straight-line basis.

4. 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, 2019	**17,102,484**	**3,132,246**	**-**	**151,084**	**20,385,814**
Property payments in cash	**61,250**	**-**	**-**	**2,000**	**63,250**
Effect of change in foreign exchange	**-**	**-**	**-**	**(4,373)**	**(4,373)**
	61,250	**-**	**-**	**(2,373)**	**58,877**
Balance at September 30, 2019	**17,163,734**	**3,132,246**	**-**	**148,711**	**20,444,691**
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

(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, 2019, to January 31, 2020. 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.

5. CREDIT FACILITY

On May 20, 2019, the Company entered into a loan agreement with Greenstone Resources II LP and Osisko Gold Royalties Ltd (collectively, the "Lenders"), which are deemed to have significant influence over the Company. Under the terms of the loan agreement, the Lenders have agreed to provide the Company with a loan of up to $4,500,000 (the “Principal Amount”). The loan bears interest at a rate of 12% per annum, has a maturity date of February 28, 2020 (the “Maturity Date”) and is to be disbursed in a number of tranches pursuant to an approved budget. The Principal Amount of the loan as well as accrued interest are payable at the latest on the Maturity Date of the loan. The loan is secured by a mortgage on the Copperwood property and a general security agreement over all the assets of the Company.

During the three months ended September 30, 2019, the Company made additional drawdowns on the credit facility totalling $850,000, with total drawdowns on the credit facility amounting to $3,600,000 at September 30, 2019. The Company accounted for the estimated fair value of the additional drawdowns using a discount rate of 20%. The fair value adjustment of $38,484 representing the below market element of the loan was recorded in contributed surplus. The fair value adjustments and the transaction costs initially incurred and presented as a reduction of the loan are amortized over the loan period of nine months using the effective interest rate method. The effective interest rate of the loan is 23.6%.

The balance of the loan is determined as follows:

	Three months ended September 30, 2019
	$
Balance, beginning of period	**2,495,484**
Additional drawdowns, discounted at the rate of 20%	**811,516**
Interest payable	**99,399**
Accretion of loan and amortization of transactions costs	**117,644**
Balance, end of period	**3,524,043**

6. NOTE PAYABLE

The note is payable to the Lessor of certain mineral rights located in White Pine, Michigan. It is reimbursable in five 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, 2019
	$
Balance, beginning of period	**165,000**
Reimbursements	**(27,500)**
Balance, end of period	**137,500**
Current liability	**110,000**
Non-current liability	**27,500**
	137,500

7. LEASE LIABILITIES

Following the adoption of IFRS 16 on July 1, 2019 (Note 3), the Company recorded lease liabilities of $58,183. The Company accounted for the estimated fair value of the lease liabilities using a discount rate of 20%. The balance of the lease liabilities at September 30, 2019 is as follows:

	Three months ended September 30, 2019
	$
Balance, beginning of period	-
Lease liabilities on adoption of IFRS 16	**58,183**
Accretion expense	**2,958**
Repayment of liabilities	**(15,688)**
Balance, end of period	**45,453**

8. PROMISSORY NOTE

On May 30, 2017, the Company issued a $16 million secured non-interest-bearing promissory note (the "Note") to RTX, as part of the consideration for the acquisition of the UPX Property. The Note provided 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 anniversaries of the acquisition. The Note has an effective interest rate of 20%. The Company did not make the payment of $3.0 million due on May 30, 2019. In accordance with the provisions of the Note, the failure to make the payment on May 30, 2019 constitutes an event of default, and upon such occurrence and continuance, the amount of the Note then outstanding bears interest at an annual rate of Libor plus 8% (a rate of 10.01% at September 30, 2019) and becomes payable on demand. The Note is secured by a mortgage over the acquired property and a general security agreement over all the assets of UPX Minerals Inc.

The balance of the Note is determined as follows:

	Three months ended September 30, 2019
	$
Balance, beginning of period	**15,128,068**
Interest payable from July 1, 2019 to September 30, 2019	**382,370**
Balance, end of period	**15,510,438**

9. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At September 30, 2019 and June 30, 2019, the Company had 472,933,689 issued and outstanding common shares.

Share purchase warrants

At September 30, 2019 and June 30, 2019, the Company had 1,000,000 share purchase warrants outstanding with an exercise price of C$0.15, expiring on March 17, 2020.

10. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended September 30, 2019	
	Number	**Weighted average exercise price (C$)**
Options, beginning of period	**13,685,000**	**0.17**
Expired	**(3,770,000)**	**(0.27)**
Options, end of period	**9,915,000**	**0.13**

The following table reflects the stock options issued and outstanding at September 30, 2019:

Issue date	Number of options	Exercise price	Remaining contractual life	Number of exercisable options	Exercise price of exercisable options
		C$	(years)		C$
April 21, 2015	1,240,000	0.25	0.6	662,500	0.25
August 28, 2017	7,925,000	0.11	2.9	7,925,000	0.11
October 26, 2017	750,000	0.17	3.1	500,000	0.17
	9,915,000	0.13	2.6	9,087,500	0.12

11. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2019	2018
	$	$
Labour	**67,100**	614,007
Studies and consultants	**232,887**	183,585
Drilling and assaying	**-**	39,481
Office, overhead and other administrative costs	**81,921**	199,443
	381,908	1,036,516

12. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2019	2018
	$	$
Administrative and general	**152,621**	284,871
Office	**23,944**	30,951
Professional fees	**45,465**	102,574
Investor relations and travel	**12,946**	38,454
Reporting issuer costs	**627**	17,142
	235,603	473,992

13. FINANCE EXPENSE

The Company incurred the following finance expense:

	Three months ended September 30,	
	2019	2018
	$	$
Effective interest on credit facility from parties with significant influence (Note 5)	**217,043**	-
Interest on note payable (Note 6)	**3,300**	5,500
Accretion on lease liabilities (Note 7)	**2,958**	-
Interest on promissory note (Note 8)	**382,370**	-
Interest on balance of purchase price payable	**-**	30,000
Other	**501**	-
	606,172	35,500

14. 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, 2019
	Canada	**USA**	**Total**
	$	**$**	**$**
Current assets	**654,299**	**126,412**	**780,711**
Capital assets	**2,441**	**110,009**	**112,450**
Exploration and evaluation assets	**-**	**20,444,691**	**20,444,691**
Total assets	**656,740**	**20,681,112**	**21,337,852**

			June 30, 2019
	Canada	USA	Total
	$	$	$
Current assets	**586,867**	**67,845**	**654,712**
Capital assets	**9,156**	**72,612**	**81,768**
Exploration and evaluation assets	**-**	**20,385,814**	**20,385,814**
Total assets	**596,023**	**20,526,271**	**21,122,294**

15. EVENT AFTER THE REPORTING DATE

The Company made additional drawdowns totalling $350,000 since September 30, 2019 under the terms of the Credit Facility described in Note 5.