



Condensed interim consolidated financial statements

For the three months ended September 30, 2020

In US dollars

Unaudited

NOTICE TO READER

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Financial Position

<i>(unaudited, in US dollars)</i>	September 30, 2020	June 30, 2020
	\$	\$
ASSETS		
Current		
Cash (Note 4)	317,057	164,327
Sales taxes receivable	19,499	7,282
Prepaid expenses and other	18,129	29,297
	354,685	200,906
Non-current		
Capital assets	35,759	51,214
Exploration and evaluation assets (Note 5)	20,707,961	20,636,987
TOTAL ASSETS	21,098,405	20,889,107
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,123,848	916,939
Credit facility, including accrued interest (Note 6)	5,658,248	5,006,142
Note payable (Note 7)	27,500	55,000
Lease liabilities (Note 8)	-	9,446
Promissory note, including accrued interest (Note 9)	16,843,579	16,535,251
	23,653,175	22,522,778
Non-current		
Environmental liability	268,182	266,151
TOTAL LIABILITIES	23,921,357	22,788,929
SHAREHOLDERS' (DEFICIT) EQUITY		
Share capital (Note 10)	66,137,274	66,137,274
Contributed surplus	11,958,513	11,872,108
Deficit	(82,569,078)	(81,650,160)
Cumulative translation adjustment	1,650,339	1,740,956
TOTAL (DEFICIT) EQUITY	(2,822,952)	(1,899,822)
TOTAL LIABILITIES AND (DEFICIT) EQUITY	21,098,405	20,889,107

Going concern (Note 2); Event after the reporting date (Note 16).

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

<i>(unaudited, in US dollars)</i>	Three months ended September 30,	
	2020	2019
	\$	\$
Expenses and other items		
Exploration and evaluation (Note 12)	181,313	381,908
Management and administration (Note 13)	269,665	235,603
Share-based compensation	-	21,368
Depreciation and amortization	15,474	21,141
Loss on sale of capital assets	-	739
Accretion on environmental liability	2,031	2,287
Finance expense (Note 14)	550,425	606,172
Finance income	(9)	(3,061)
(Gain) loss on foreign exchange	(99,981)	28,551
Net loss for the period	(918,918)	(1,294,708)
Other comprehensive income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	(187,532)	87,405
Item that may be subsequently reclassified to income		
Foreign currency translation adjustment	96,915	(65,594)
Comprehensive loss for the period	(1,009,535)	(1,272,897)
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' (Deficit) Equity

<i>(unaudited, in US dollars)</i>	Number of issued and outstanding common shares	Share capital	Contributed Surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity (deficit)
		\$	\$	\$	\$	\$
Balance at June 30, 2020	472,933,689	66,137,274	11,872,108	(81,650,160)	1,740,956	(1,899,822)
Below market element of credit facility (Note 6)	-	-	86,405	-	-	86,405
Net loss for the period	-	-	-	(918,918)	-	(918,918)
Foreign currency translation adjustment	-	-	-	-	(90,617)	(90,617)
Balance at September 30, 2020	472,933,689	66,137,274	11,958,513	(82,569,078)	1,650,339	(2,822,952)
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	-	-	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

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Cash Flows

<i>(unaudited, in US dollars)</i>	Three months ended September 30,	
	2020	2019
	\$	\$
Operating activities		
Net loss for the period	(918,918)	(1,294,708)
Adjustments		
Share-based compensation	-	21,368
Depreciation and amortization	15,474	21,141
Loss on sale of capital assets	-	739
Accretion on environmental liability	2,031	2,287
Unrealized (gain) loss on foreign exchange	(99,981)	28,551
Finance expense	548,731	602,362
Finance income accrued	(9)	(3,061)
Finance income received	9	2,974
Changes in working capital items		
Sales taxes receivable	(12,080)	(20,297)
Prepaid expenses and other	11,461	(18,001)
Accounts payable and accrued liabilities	179,791	(2,307)
	(273,491)	(658,952)
Investing activities		
Proceeds from sale of capital assets	-	5,237
Additions to exploration and evaluation assets (Note 5)	(50,000)	(63,250)
	(50,000)	(58,013)
Financing activities		
Credit facility (Note 6)	500,000	850,000
Reimbursement of note payable (Note 7)	(27,500)	(27,500)
Repayment of lease liabilities (Note 8)	(12,537)	(15,688)
	459,963	806,812
Effect of exchange rate changes on cash held in foreign currency	16,258	(1,759)
Net change in cash	152,730	88,088
Cash, beginning of period	164,327	605,046
Cash, end of period	317,057	693,134
Supplemental cash flow information		
Additions to exploration and evaluation assets, included in accounts payable and accrued liabilities	11,250	-
Lease liabilities included in capital assets	-	58,183
Below-market element of credit facility in contributed surplus (Note 6)	86,405	38,484

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

1. GENERAL INFORMATION

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together "Highland" or the "Company") are primarily engaged in the acquisition, exploration and development of mineral properties in Michigan, USA. 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 Company's principal assets, located in Michigan's Upper Peninsula region, include the 100%-owned Copperwood copper project (the "Copperwood Project"), the White Pine North copper project (subject to final closing pursuant to the May 2014 asset purchase agreement with Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd.) (the "White Pine North Project"), and a mineral exploration property referred to as the UPX Property, which was acquired in May 2017 from subsidiaries of the Rio Tinto Group.

All financial results in these unaudited condensed interim consolidated financial statements are expressed in US dollars unless otherwise indicated.

The Board of Directors approved these unaudited condensed interim consolidated financial statements on November 25, 2020.

COVID-19

The rapid spread of the COVID-19 virus and actions taken globally in response to COVID-19 have significantly disrupted business activities and capital markets throughout the world. Given the ongoing and dynamic nature of the circumstances surrounding COVID-19, it is difficult to predict how significant the impact of COVID-19, including any responses to it, will be on the economy and the Company's business in particular, or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict. Such further developments could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

2. GOING CONCERN

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

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities. 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 North 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 \$918,918 during the three months ended September 30, 2020 (\$1,294,708 during the comparative period in 2019) and has a deficit of \$82,569,078 at September 30, 2020 (a deficit of \$81,650,160 at June 30, 2020). The Company also has a working capital deficiency of \$23,298,490 at September 30, 2020 (a working capital deficiency of \$22,321,872 at June 30, 2020).

The Company needs to secure funds to reimburse the credit facility and accrued interest described in Note 6, to reimburse the promissory note and accrued interest described in Note 9, to meet all existing commitments, to complete the acquisition of the White Pine North Project (including an amount of approximately \$1.7 million to replace the current environmental financial assurance bond) and to provide for management and administration expenses for the next 12 months. The Company is continuing its review of various options to secure such additional funds. This includes discussions with its major shareholders, lenders and royalty holders. Given the Company's significant working capital deficiency and the state of the capital markets for a company such as Highland, there is no assurance that additional funds will be available or available on terms acceptable to the Company or that the Company will be able to complete a strategic transaction.

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

3. 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. 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, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

4. CASH

At September 30, 2020, the cash position of \$317,057 (\$164,327 at June 30, 2020) is restricted to be disbursed pursuant to an approved budget by the lenders of the Credit Facility (Note 6).

5. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	Copperwood Project	White Pine North Project (1)	Other Properties	Total
	\$	\$	\$	\$
Balance at June 30, 2020	17,312,259	3,157,246	167,482	20,636,987
Property payments	61,250	-	-	61,250
Effect of change in foreign exchange	-	-	9,724	9,724
	61,250	-	9,724	70,974
Balance at September 30, 2020	17,373,509	3,157,246	177,206	20,707,961
Balance at June 30, 2019	17,102,484	3,132,246	151,084	20,385,814
Property payments	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

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

6. CREDIT FACILITY

On May 20, 2019, the Company entered into a loan agreement with Greenstone Resources II LP ("Greenstone") and Osisko Gold Royalties Ltd ("Osisko") (collectively, the "Lenders"). Under the terms of the loan agreement, the Lenders agreed to provide the Company with a loan of up to \$4,500,000, which amount was disbursed in a number of tranches until February 2020. On September 4, 2020, pursuant to an amendment to the loan agreement, Osisko made available to the Company an additional amount of \$500,000 increasing the total indebtedness under the loan agreement to \$5,000,000, plus accrued interest. The loan bears interest at a rate of 12% per annum. The maturity date of the loan agreement was extended on a number of occasions to October 31, 2020 (Note 16). The principal amount of the loan as well as accrued interest are payable by 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 and includes specifically a pledge of the shares of the following subsidiaries: Copperwood Resources Inc., Upper Peninsula Copper Holdings Inc., White Pine Copper LLC and Keweenaw Copper Co.

The Company accounted for the estimated fair value of the additional amount of the loan using a discount rate of 20%. The fair value adjustment, representing the below market element of the loan, was recorded in contributed surplus. The fair value adjustment is amortized over the loan period using the effective interest rate method. The effective interest rate of the loan is 23.6%.

During the three months ended September 30, 2020, the balance of the loan was adjusted by \$82,178 to reflect the impact of the modification of the maturity date of the loan, with a corresponding increase to the below market element of the loan recorded in contributed surplus.

The balance of the loan is determined as follows:

	Three months ended September 30,
	2020
	\$
Balance, beginning of period	5,006,142
Modification adjustment	(82,178)
Additional loan, discounted at the rate of 20%	494,670
Interest payable	155,464
Accretion of loan	84,150
Balance, end of period	5,658,248

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

7. NOTE PAYABLE

The note is payable to the Lessor of certain mineral rights located in White Pine, Michigan. It is reimbursable in 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 is as follows:

	Three months ended September 30, 2020
	\$
Balance, beginning of period	55,000
Reimbursement	(27,500)
Balance, end of period	27,500

8. LEASE LIABILITIES

The balance of the lease liabilities is as follows:

	Three months ended September 30, 2020
	\$
Balance, beginning of period	9,446
Accretion expense	3,091
Repayment of liabilities	(12,537)
Balance, end of period	-

Highland Copper Company Inc.

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Three months ended September 30, 2020 (unaudited - in US dollars)

9. PROMISSORY NOTE

On May 30, 2017, the Company issued a \$16 million secured non-interest-bearing promissory note (the "Note") to Kennecott Exploration Company and Rio Tinto Nickel Company ("RTX"), as part of the consideration for the acquisition of the UPX Property. 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 (and has also not made the payment due May 30, 2020), which 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 8.15% at September 30, 2020) 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., an indirect wholly-owned subsidiary of the Company.

The balance of the Note is as follows:

	Three months ended September 30, 2020
	\$
Balance, beginning of period	16,535,251
Accrued interest	308,328
Balance, end of period	16,843,579

10. SHARE CAPITAL

Issued and fully paid

At September 30, 2020 and June 30, 2020, the Company had 472,933,689 issued and outstanding common shares.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

11. STOCK OPTIONS

At September 30, 2020 and June 30, 2020, the Company had 8,675,000 issued and outstanding stock options.

The following table reflects the stock options issued and outstanding at September 30, 2020:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
August 28, 2017	7,925,000	0.11	1.9	7,925,000	0.11
October 26, 2017	750,000	0.17	2.1	750,000	0.17
	8,675,000	0.12	1.9	8,675,000	0.12

12. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2020	2019
	\$	\$
Labour	17,920	67,100
Studies and consultants	95,693	232,887
Office, overhead and other administrative costs	67,700	81,921
	181,313	381,908

13. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2020	2019
	\$	\$
Administrative and general	202,629	152,621
Office	24,191	23,944
Professional fees	37,609	45,465
Investor relations and travel	158	12,946
Reporting issuer costs	5,078	627
	269,665	235,603

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

14. FINANCE EXPENSE

The Company incurred the following finance expense:

	Three months ended September 30,	
	2020	2019
	\$	\$
Effective interest on credit facility (Note 6)	237,312	217,043
Interest on note payable (Note 7)	1,100	3,300
Accretion on lease liabilities (Note 8)	3,091	2,958
Interest on promissory note (Note 9)	308,328	382,370
Other	594	501
	550,425	606,172

15. 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, 2020		
	Canada	USA	Total
	\$	\$	\$
Current assets	341,778	12,907	354,685
Capital assets	675	35,084	35,759
Exploration and evaluation assets	-	20,707,961	20,707,961
Total assets	342,453	20,755,952	21,098,405

	June 30, 2020		
	Canada	USA	Total
	\$	\$	\$
Current assets	179,085	21,821	200,906
Capital assets	880	50,334	51,214
Exploration and evaluation assets	-	20,636,987	20,636,987
Total assets	179,965	20,709,142	20,889,107

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2020 (unaudited - in US dollars)

16. EVENT AFTER THE REPORTING DATE

Credit Facility

On November 2, 2020, the credit agreement with Osisko and Greenstone entered into on May 20, 2019 was further amended. The maturity date for the repayment of the \$5,000,000 loan plus accrued interest was extended to November 30, 2020, provided however that the Lenders may demand repayment of the loan and accrued interest at any time upon two business days' notice.