



**Condensed interim consolidated financial statements**

**For the three months ended September 30, 2022**

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, 2022	June 30, 2022
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	11,539,180	12,929,815
Sales taxes receivable	31,920	51,041
Prepaid expenses and other	32,795	70,924
	<b>11,603,895</b>	13,051,780
Non-current		
Environmental bond (Note 4 a)	1,676,149	1,676,149
Capital assets	27,975	29,672
Exploration and evaluation assets (Note 4)	22,898,677	22,856,259
<b>TOTAL ASSETS</b>	<b>36,206,696</b>	<b>37,613,860</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	1,059,557	1,257,830
	<b>1,059,557</b>	1,257,830
Non-current		
Environmental liability (Note 5)	2,099,026	2,097,425
<b>TOTAL LIABILITIES</b>	<b>3,158,583</b>	<b>3,355,255</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	83,948,586	83,948,586
Contributed surplus	15,596,143	15,220,385
Deficit	(67,029,298)	(66,026,815)
Cumulative translation adjustment	532,682	1,116,449
<b>TOTAL EQUITY</b>	<b>33,048,112</b>	<b>34,258,605</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>36,206,696</b>	<b>37,613,860</b>

Going concern (Note 2).

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

On behalf of the Board,

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

/s/ Caroline Donally  
Caroline Donally, Director

# Highland Copper Company Inc.

## Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

<i>(unaudited, in US dollars)</i>	Three months ended September 30,	
	2022	2021
	\$	\$
<b>Expenses and other items</b>		
Exploration and evaluation (Note 8)	617,846	204,908
Management and administration (Note 9)	436,994	596,858
Share-based compensation	375,758	-
Depreciation and amortization	2,637	1,503
Gain on disposal of exploration and evaluation assets (Note 4 b)	-	(2,946,908)
Accretion on environmental liability (Note 5)	1,601	2,625
Finance expense (Note 10)	-	322,147
Finance income	(23,995)	(3,654)
Loss (gain) on foreign exchange	(408,459)	53,795
<b>Net income (loss) for the period</b>	<b>(1,002,482)</b>	<b>1,768,726</b>
Other comprehensive income (loss)		
Item that may be subsequently reclassified to income		
Foreign currency translation adjustment	(583,768)	42,181
<b>Comprehensive income (loss) for the period</b>	<b>(1,582,150)</b>	<b>1,810,907</b>
Basic and diluted loss per common share	0.00	(0.00)
Weighted average number of common shares - basic and diluted	736,363,619	568,804,533

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

## Highland Copper Company Inc. Condensed Interim Consolidated Statements of Shareholders' Equity

<i>(unaudited, in US dollars)</i>	Number of issued and outstanding common shares	Share capital	Contributed Surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity (deficit)
		\$	\$	\$	\$	\$
Balance at June 30, 2022	736,363,619	83,948,586	15,220,385	(66,026,815)	1,116,449	34,258,605
Private placement (Note 9)	-	-	-	-	-	-
Share issue expenses (Note 9)	-	-	-	-	-	-
Share-based compensation	-	-	375,758	-	-	375,758
Net income for the period	-	-	-	(1,002,482)	-	(1,002,482)
Foreign currency translation adjustment	-	-	-	-	(583,768)	(583,768)
<b>Balance at September 30, 2022</b>	<b>736,363,619</b>	<b>83,948,586</b>	<b>15,596,143</b>	<b>(67,029,298)</b>	<b>532,681</b>	<b>33,048,113</b>
Balance at June 30, 2021	472,933,689	66,137,274	11,961,512	(63,970,379)	1,179,267	15,307,674
Private placement	263,429,930	17,971,063	2,853,764	-	-	20,824,827
Share issue expenses	-	(159,750)	-	-	-	(159,750)
Net income for the period	-	-	-	1,768,726	-	1,768,726
Foreign currency translation adjustment	-	-	-	-	42,181	42,181
<b>Balance at September 30, 2021</b>	<b>736,363,619</b>	<b>83,948,587</b>	<b>14,815,276</b>	<b>(62,201,653)</b>	<b>1,221,448</b>	<b>37,783,658</b>

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,	
	2022	2021
	\$	\$
<b>Operating activities</b>		
Net income (loss) for the period	(1,002,482)	1,768,726
Adjustments		
Shared-based compensation	375,758	-
Depreciation and amortization	2,637	1,503
Gain on disposal of exploration and evaluation assets (Note 4 b)	-	(2,946,908)
Accretion on environmental liability (Note 5)	1,601	2,625
Unrealized loss (gain) on foreign exchange	(408,359)	53,795
Finance expense (Note 10)	-	322,147
Changes in working capital items		
Sales taxes receivable	19,121	(15,099)
Prepaid expenses and other	38,127	1,442
Accounts payable and accrued liabilities	(198,272)	(1,306,154)
	<b>(1,171,869)</b>	<b>(2,117,923)</b>
<b>Investing activities</b>		
Environmental bond (Note 5)	-	(1,676,149)
Capital assets	(940)	-
Mineral properties	(65,000)	-
Proceeds from sale of exploration and evaluation assets (Note 5)	-	3,000,000
Additions to exploration and evaluation assets	-	(50,000)
	<b>(65,940)</b>	<b>1,273,851</b>
<b>Financing activities</b>		
Issue of share capital	-	20,824,827
Share issue expenses	-	(159,750)
Credit facility	-	-
Reimbursement of credit facility	-	(6,337,766)
Reimbursement of note payable	-	-
Repayment of lease liabilities	-	-
	-	14,327,311
Effect of exchange rate changes on cash held in foreign currency	(151,526)	(34,535)
Net change in cash and cash equivalents	(1,389,365)	13,448,704
Cash, beginning of period	12,928,515	2,982,600
Cash and cash equivalents, end of period	11,539,180	16,431,304
<b>Supplemental cash flow information</b>		
Additions to exploration and evaluation assets and to environmental liability	65,000	593,148

*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, 2022 (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 the State of 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".

At September 30, 2022, the Company's principal assets, located in Michigan's Upper Peninsula region, include the 100%-owned Copperwood copper project (the "Copperwood Project") and the White Pine North copper project (the "White Pine North Project").

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 28, 2022.

## 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 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 yet generated positive cash flows from its operating activities and is in the exploration and development stage. The Company has a deficit of \$67,029,298 at September 30, 2022 (a deficit of \$66,026,815 at June 30, 2022). At September 30, 2022, the Company has a working capital of \$10,544,340 (a working capital of \$11,793,951 at June 30, 2022). The Company has relied upon external financings, primarily through the issuance of equity, as well as proceeds from the disposal of exploration and evaluation assets, to fund its operations in the past. Since the Company does not generate revenues, the Company will need to obtain additional funds through the issuance of shares, the exercise of warrants and share options or from other sources to pursue its operations and meet its obligations related to the development of the Copperwood and White Pine North projects beyond the current fiscal year. Despite the fact that it has been able to raise funds in the past, there is no guarantee of success for the future. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

**Three months ended September 30, 2022** (unaudited - in US dollars)

---

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 and reported expenses.

### **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, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2022 (unaudited - in US dollars)

## 4. EXPLORATION AND EVALUATION ASSETS

	Copperwood Project	White Pine North Project	Total
	\$	\$	\$
Balance at June 30, 2022	17,804,059	5,052,200	22,856,259
Acquisition	65,000	-	65,000
Effect of change in foreign exchange	-	(22,582)	(22,582)
<b>Balance at September 30, 2022</b>	<b>17,869,059</b>	<b>5,029,518</b>	<b>22,898,677</b>

### a) White Pine North Project, Michigan, USA

On May 13, 2014, the Company acquired from CRC all rights, title and interest in the White Pine North Project. On July 27, 2021, in accordance with the acquisition agreement, Highland (i) deposited an agreed amount of \$1,676,149 with the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") 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. Highland assumed all of CRC's environmental liabilities related to the former White Pine mine site and will also be responsible for all ongoing environmental obligations.

### b) Sale of the UPX Project

On August 27, 2021, the Company completed the sale of its mineral exploration project referred to as the UPX Property, through the sale of all of the issued and outstanding shares of UPX Minerals Inc. ("UPX Minerals"), an indirect wholly-owned subsidiary of Highland, to Sweetwater, an entity owned by Orion, in exchange for a cash consideration of \$3,000,000 and the assumption by Sweetwater of the remaining amount due under a promissory note in favor of Kennecott Exploration Company and Rio Tinto Nickel Company ("RTX"), resulting in a gain on sale of \$2,946,908 presented in the consolidated statements of income and comprehensive income.

	\$
Sale of the UPX Project	
Cash received	3,000,000
Assumption by Sweetwater of the promissory note in favor of RTX (Note 7)	17,956,985
	20,956,985
Net assets sold	(18,010,077)
Gain on disposal of the UPX property	2,946,908

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2022 (unaudited - in US dollars)

---

## 5. ENVIRONMENTAL LIABILITY

The environmental liability consists of reclamation costs related to the final acquisition of the White Pine North Project (Note 5). The undiscounted cash flow amount of the total liability was estimated at \$3,104,902 at July 27, 2021 and the present value of the total liability was estimated at \$2,099,026, calculated using a discount rate of 3.12% and reflecting payments to be made from 2022 to 2051, inclusively.

	Three months ended September 30, 2022
	\$
Balance, beginning of period	2,097,425
Accretion expense	1,601
Balance, end of period	2,099,026

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2022 (unaudited - in US dollars)

## 6. SHARE CAPITAL

### *Issued and fully paid*

At September 30, 2022, the Company had 736,363,619 issued and outstanding common shares (736,363,619 issued and outstanding common shares at June 30, 2022).

### *Issuance of securities*

On August 27, 2021 and on September 9, 2021, the Company completed, in two tranches, a non-brokered private placement through the issuance of 263,429,930 units (the "Units") at a price of Can \$0.10 per Unit for total proceeds of Can \$26,342,993 (\$20,824,827). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant (each whole warrant, a "Warrant") with each Warrant exercisable to acquire one common share of the Company at a price of Can \$0.18 per share until August 27, 2023 and September 9, 2023. The fair value of the common shares was calculated by using the TSXV share price on the date of the issuance and the fair value of the warrants was estimated at Can \$0.03 per warrant by applying the Black-Scholes option pricing model, using an expected time-period of 2 years, a weighted average risk-free interest rate of 0.9%, a weighted average volatility rate of 88% and a 0% dividend factor. An amount of \$2,853,764 was allocated to the share purchase warrants and presented as part of contributed surplus. Share issue expenses related to this private placement amounted to \$159,751, including finders' fees of \$82,600.

### *Share purchase warrants*

The following table reflects the number of issued and outstanding share purchase warrants at September 30, 2022:

Grant date	Number of warrants		Number of warrants		Price	Expiry date
	June 30, 2021	Granted	September 30, 2021		per share	
					\$	
August 27, 2021	-	126,464,965	126,464,965		0.18	Aug 27, 2023
September 9, 2021	-	5,250,000	5,250,000		0.18	Sep 9, 2023
	-	131,714,965	131,714,965		0.18	

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2022 (unaudited - in US dollars)

## 7. STOCK OPTIONS

At September 30, 2022 and June 30, 2022, the Company had 24,050,000 issued and outstanding stock options.

The following table reflects the stock options issued and outstanding at September 30, 2022:

	Three months ended September 30,		Year ended June 30,	
	Number	Average exercise price (C\$)	Number	Average exercise price (C\$)
Options, beginning of year	17,525,000	0.12	8,675,000	0.17
Granted	13,300,000	0.11	-	-
Expired	(6,775,000)	0.11	-	(0.20)
Options, end of year	24,050,000	0.12	7,525,000	0.12

The following table reflects the stock options issued and outstanding at June 30, 2022:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
October 26, 2017	750,000	0.17	0.1	750,000	0.17
December 16, 2021	3,500,000	0.11	4.2	1,166,667	0.11
February 24, 2022	6,500,000	0.15	4.4	2,166,667	0.15
July 29, 2022	13,300,000	0.10	6.8	2,166,667	0.10
	24,050,000	0.12	2.7	6,249,999	0.13

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three months ended September 30, 2022 (unaudited - in US dollars)

## 8. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2022	2021
	\$	\$
Labour	438,207	16,119
Studies	54,359	111,388
Office, overhead and other administrative costs	125,280	77,401
	<b>617,846</b>	<b>204,908</b>

## 9. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2022	2021
	\$	\$
Administrative and general	182,748	434,307
Office	120,600	26,739
Professional fees	60,378	126,820
Investor relations and travel	73,807	3,170
Reporting issuer costs	-	5,822
	<b>436,994</b>	<b>596,858</b>

## 10. FINANCE EXPENSE

	Years ended June 30,	
	2022	2021
	\$	\$
Interest on credit facility (Note 6)	-	119,351
Interest on note payable	-	-
Interest on promissory note (Note 7)	-	202,796
Accretion on lease liabilities	-	-
Other	-	-
	-	<b>322,147</b>

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2022 (unaudited - in US dollars)

## 11. 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, 2022		
	Canada	USA	Total
	\$	\$	\$
Current assets	9,407,039	2,196,858	11,603,897
Environmental bond	-	1,676,149	1,676,149
Capital assets	4,033	23,942	27,975
Exploration and evaluation assets	354,447	22,544,230	22,898,677
<b>Total assets</b>	<b>9,765,518</b>	<b>26,441,180</b>	<b>36,206,698</b>

	June 30, 2022		
	Canada	USA	Total
	\$	\$	\$
Current assets	10,494,771	2,557,009	13,051,780
Environmental	-	1,676,149	1,676,149
Capital assets	3,941	25,731	29,672
Exploration and evaluation assets	377,029	21,259,727	21,636,757
<b>Total assets</b>	<b>10,875,741</b>	<b>25,518,616</b>	<b>36,394,358</b>