



Condensed interim consolidated financial statements

For the three months ended September 30, 2023

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, 2023	June 30, 2023
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	29,101,212	7,030,317
Sales taxes receivable	361,284	66,870
Prepaid expenses and other	167,685	71,655
	29,630,181	7,168,842
Non-current		
Environmental bond (Note 4 a)	2,267,680	613,633
Investment in associates (note 4b)	15,405,520	-
Capital assets	649	20,037
Exploration and evaluation assets (Note 4)	19,126,790	24,113,990
TOTAL ASSETS	66,430,820	31,916,502
LIABILITIES		
Current		
Accounts payable and accrued liabilities	3,351,850	1,997,597
	3,351,850	1,997,597
Non-current		
Asset retirement obligation	-	1,939,141
TOTAL LIABILITIES	-	3,936,738
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	83,948,586	83,948,586
Contributed surplus	16,155,094	16,058,937
Deficit	(37,502,139)	(72,830,802)
Cumulative translation adjustment	477,429	803,043
TOTAL EQUITY	63,078,970	27,979,764
TOTAL LIABILITIES AND EQUITY	66,430,820	31,916,502

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/ Barry O'Shea
Barry O'Shea, Interim CEO

/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,	
	2023	2022
	\$	\$
Expenses and other items		
Exploration and evaluation (Note 7)	4,745,834	617,846
Management and administration (Note 8)	2,510,797	436,994
Share-based compensation	96,157	375,758
Depreciation and amortization	640	2,637
Gain on sale of controlling interest in White Pine Copper LLC (note 4b)	(42,247,718)	-
Share of loss in associates (note 4b)	83,025	-
Accretion on environmental liability	-	1,601
Finance income	(73,798)	(23,995)
Loss (gain) on foreign exchange	(443,600)	(408,459)
Net income (loss) for the period	35,328,663	(1,002,382)
Other comprehensive income (loss)		
Item that may be subsequently reclassified to income		
Foreign currency translation adjustment	(325,614)	(583,768)
Comprehensive income (loss) for the period	35,003,049	(1,582,150)
Basic and diluted income (loss) per common share	0.05	(0.00)
Weighted average number of common shares - basic and diluted	736,363,619	736,363,619

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, 2023	736,363,619	83,948,586	16,058,937	(72,830,802)	803,043	27,979,764
Share-based compensation	-	-	96,157	-	-	96,157
Net income for the period	-	-	-	35,328,663	-	35,328,663
Foreign currency translation adjustment	-	-	-	-	(325,614)	(325,614)
Balance at September 30, 2023	736,363,619	83,948,586	16,155,094	(37,502,139)	447,429	63,078,970
Balance at June 30, 2022	736,363,619	83,948,586	16,058,937	(66,026,815)	1,116,449	34,258,605
Share-based compensation	-	-	838,552	-	-	838,552
Net income for the period	-	-	-	(6,803,987)	-	(6,803,987)
Foreign currency translation adjustment	-	-	-	-	(313,406)	(313,406)
Balance at September 30, 2022	736,363,619	83,948,586	16,897,489	(72,830,802)	803,043	27,979,764

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,	
	2023	2022
	\$	\$
Operating activities		
Net income (loss) for the period	35,328,663	(1,002,482)
Adjustments		
Shared-based compensation	96,157	375,758
Depreciation and amortization	640	2,637
Gain on sale of controlling interest in White Pine Copper LLC (Note 4 b)	(42,247,718)	-
Share of loss in associates	83,025	-
Accretion on environmental liability	-	1,601
Unrealized loss (gain) on foreign exchange	(443,600)	(408,359)
Changes in working capital items		
Sales taxes receivable	(294,414)	19,121
Prepaid expenses and other	(96,030)	38,127
Accounts payable and accrued liabilities	1,354,253	(198,272)
	(6,219,024)	(1,171,869)
Investing activities		
Environmental bond (Note 4)	(1,654,047)	-
Capital assets	-	(940)
Mineral properties	(65,000)	(65,000)
Proceeds from sale of controlling interest in White Pine Copper LLC (Note 4b)	29,924,980	-
Investment in associate – White Pine Copper LLC cash call (note 4b)	(34,000)	-
	28,171,933	(65,940)
Effect of exchange rate changes on cash held in foreign currency	117,789	(151,526)
Net change in cash and cash equivalents	22,070,895	(1,389,365)
Cash, beginning of period	7,030,317	12,928,515
Cash and cash equivalents, end of period	29,101,212	11,539,180
Supplemental cash flow information		
Additions to exploration and evaluation assets and to environmental liability	65,000	65,000

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, 2023 (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, 2023, the Company's principal assets, located in Michigan's Upper Peninsula region, included the 100%-owned Copperwood copper project (the "Copperwood Project") and 34% of 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 27, 2023.

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 net income of \$35,328,663 for the quarter ending September 30, 2023 (a deficit of \$6,803,987 at June 30, 2023). At September 30, 2023, the Company has a working capital of \$26,278,331 (a working capital of \$5,171,245 at June 30, 2023). 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, 2023 (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, and in addition, the policy of investment of associates was followed. 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, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The comparative information includes the consolidation of the White Pine North Project, and the current period does not include this.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 (unaudited - in US dollars)

4. EXPLORATION AND EVALUATION ASSETS

	Copperwood Project	White Pine Project	Total
	\$	\$	\$
Balance at June 30, 2023	19,061,790	5,052,200	24,113,990
Acquisition	65,000	-	65,000
Disposition on sale of controlling interest in White Pine Copper LLC	-	(5,052,200)	(5,052,200)
Balance at September 30, 2023	19,126,790	-	19,126,790

a) Environmental Bond

On May 13, 2014, the Company acquired from Copper Range Company (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.

In December 2022, the Company secured a surety bond as financial assurance for the White Pine North Project. As part of that process, the Company placed a cash deposit of \$613,633 with the surety provider, which represents 35% of the value of the total assurance. Following the transaction with Kinterra in July 2023, the financial assurance for the White Pine North Project of \$613,633 was then returned.

During the quarter, at the Copperwood Project, the Company secured a surety bond as financial assurance for the project and paid a cash deposit of \$2,267,680, which represents 35% of the financial assurance. The financial assurance is valued at \$6,479,089.

b) Deconsolidation of White Pine North Project, Michigan, USA, and investment in associates

On July 24, 2023, the Company completed a transaction with Kinterra Copper USA LLC ("Kinterra") in which the Company sold 66% of the common shares of White Pine LLC which owns the White Pine North Project in exchange for \$30 million in cash. In addition to its \$30 million initial investment, Kinterra has agreed to fund, subject to certain conditions, a further \$30 million in expenditures to advance the White Pine North project. The commitment will consist of \$20 million representing Kinterra's 66% pro rata expenditure, as well as a \$10 million unsecured loan available to the Company to satisfy cash calls for its pro rata expenditure. If the company takes advantage of the \$10 million unsecured loan to cover cash calls, it will have a coupon of 10% and will mature in July 2026. A second unsecured loan (on the same terms) will become available to the Company after this \$30 million has been spent on White Pine North, assuming any initial loan has been repaid. The second loan will have a maturity of July 2028.

Highland Copper Company Inc.

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Three months ended September 30, 2023 (unaudited - in US dollars)

b) Deconsolidation of White Pine North Project, Michigan, USA, and investment in associates (continued)

Effective July 24, 2023, the Company held an interest of 34% (compared to 100% as at June 30, 2023) in White Pine Copper LLC and Management determined that the Company was no longer in a position of control over White Pine Copper LLC. Management determined it was able to exert significant influence on White Pine Copper LLC and accordingly, the Company deconsolidated White Pine Copper LLC on July 24, 2023, and started accounting for its investment in White Pine Copper LLC using the equity method. The Company hence derecognized the assets and liabilities of the White Pine North from its consolidated statement of financial position, recorded its interest at fair value as an investment in associate for \$15,405,520 and recognized a net non-cash gain on deconsolidation of \$42,266,466.

The following tables summarize the financial information related to White Pine Copper LLC on July 24, 2023, immediately prior to deconsolidation, before intercompany adjustments:

	July 24, 2023
Non-current assets	
Capital assets	18,748
Exploration and evaluation assets	5,052,200
Non-current liabilities	
Asset retirement obligation	(1,939,141)
Non-current net assets (liabilities)	3,131,807
Total net assets	3,131,807

The following table details the gain on sale:

	July 24, 2023
Fair value of the consideration received (net)	29,924,980
Fair value of any retained non-controlling investment	15,454,545
Carrying amount of the former subsidiary's net assets	(3,131,807)
Gain (loss) on loss of control in subsidiary	42,247,718

Investment in associate:

	Three months ended, September 30, 2023
Balance as at June 30, 2023	-
Investment in associate	15,454,545
Cash call	34,000
Share loss	(83,025)
Balance as at September 30, 2023	15,405,520

Highland Copper Company Inc.

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5. SHARE CAPITAL

Issued and fully paid

At September 30, 2023, the Company had 736,363,619 issued and outstanding common shares (736,363,619 issued and outstanding common shares at June 30, 2023).

Share purchase warrants

The following table reflects the number of issued and outstanding share purchase warrants at September 30, 2023:

Grant date	Number of warrants		Number of warrants	Price per share	Expiry date
	June 30, 2023	Expired			
				\$	
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	

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6. STOCK OPTIONS

At September 30, 2023 and June 30, 2023, the Company had 23,300,000 issued and outstanding stock options.

	Three months ended September 30,		Year ended June 30,	
	2023		2023	
	Number	Average exercise price (C\$)	Number	Average exercise price (C\$)
Options, beginning of year	17,525,000	0.12	17,525,000	0.13
Granted	13,300,000	0.11	13,300,000	0.10
Expired	(7,525,000)	0.11	(7,525,000)	0.12
Options, end of year	23,300,000	0.12	23,300,000	0.12

The following table reflects the stock options issued and outstanding at September 30, 2023:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
December 16, 2021	3,500,000	0.11	3.2	3,500,000	0.11
February 24, 2022	6,500,000	0.15	3.4	4,333,333	0.15
July 29, 2022	13,300,000	0.10	5.8	8,866,667	0.10
	23,300,000	0.12	4.8	16,700,000	0.12

Highland Copper Company Inc.

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Three months ended September 30, 2023 (unaudited - in US dollars)

7. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2023	2022
	\$	\$
Labour	469,363	438,207
Excavation and site works	4,121,235	-
Studies	-	54,359
Office, overhead and other administrative costs	155,237	125,280
	4,745,834	617,846

8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2023	2022
	\$	\$
Administrative and general	208,426	182,748
Office	48,275	120,600
Professional fees	2,106,408	60,378
Investor relations and travel	147,689	73,807
	2,510,797	436,994

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 (unaudited - in US dollars)

9. 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, 2023		
	Canada	USA	Total
	\$	\$	\$
Current assets	4,068,166	25,562,015	29,630,181
Environmental bond	-	2,267,680	2,267,680
Investment in associate	-	15,405,520	15,405,520
Capital assets	166	483	649
Exploration and evaluation assets	-	19,126,790	19,126,790
Total assets	4,068,332	62,362,489	66,430,820

	June 30, 2023		
	Canada	USA	Total
	\$	\$	\$
Current assets	6,946,673	222,169	7,168,842
Environmental bond	-	613,633	613,633
Capital assets	818	5,349	6,167
Exploration and evaluation assets	-	24,127,860	24,127,860
Total assets	6,947,491	24,969,011	31,916,502