Highland Copper Company Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended March 31, 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)	March 31, 2019	June 30, 2018
	$	$
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**111,215**	3,487,847
Sales taxes receivable	**1,622**	132,093
Prepaid expenses and other	**85,124**	123,663
	197,961	3,743,603
Non-current		
Capital assets	**95,763**	140,006
Exploration and evaluation assets (Note 5)	**33,379,667**	31,795,832
TOTAL ASSETS	**33,673,391**	35,679,441
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,433,271**	1,356,742
Current portion of note payable (Note 6)	**137,500**	110,000
Balance of purchase price payable (Note 7)	**1,000,000**	1,004,333
Current portion of promissory note (Note 8)	**2,902,446**	2,501,248
	5,473,217	4,972,323
Non-current		
Note payable (Note 6)	**82,500**	165,000
Promissory note (Note 8)	**7,245,806**	6,244,239
Environmental liability	**255,922**	252,678
TOTAL LIABILITIES	**13,057,445**	11,634,240
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**66,137,274**	66,137,274
Contributed surplus	**11,488,635**	11,349,577
Deficit	**(58,697,516)**	(55,123,241)
Cumulative translation adjustment	**1,687,553**	1,681,591
TOTAL EQUITY	**20,615,946**	24,045,201
TOTAL LIABILITIES AND EQUITY	**33,673,391**	35,679,441

Going concern (Note 2), Other commitments (Note 13) and 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 Comprehensive Loss

(unaudited, in US dollars)	Three months ended March 31, 2019	Three months ended March 31, 2018	Nine months ended March 31, 2019	Nine months ended March 31, 2018
	$	$	**$**	$
Expenses and other items				
Exploration and evaluation (Note 11)	**478,383**	2,468,051	**2,105,942**	7,048,134
Management and administration (Note 12)	**315,048**	513,728	**1,173,805**	1,235,421
Business development	**-**	36,401	**-**	159,229
Share-based compensation	**30,623**	81,703	**139,058**	404,681
Depreciation and amortization	**13,464**	14,339	**38,040**	31,580
Accretion on environmental liability	**1,081**	2,170	**3,244**	4,965
Finance expense	**42,796**	6,600	**135,746**	21,450
Finance income	**(625)**	(25,545)	**(17,308)**	(86,216)
Gain on disposal of capital assets	**(15,741)**	-	**(15,741)**	-
Loss (gain) on foreign exchange	**12,674**	(162,610)	**11,489**	51,564
Net loss for the period	**(877,703)**	(2,934,837)	**(3,574,275)**	(8,870,808)
Other comprehensive income				
Item that will be subsequently reclassified to income				
Foreign currency translation adjustment	**862**	(203,446)	**5,962**	266,133
Comprehensive loss for the period	**(876,841)**	(3,138,283)	**(3,568,313)**	(8,604,675)
Basic and diluted loss per common share	**(0.00)**	(0.01)	**(0.01)**	(0.02)
Weighted average number of common shares - basic and diluted	**472,933,689**	469,432,065	**472,933,689**	463,491,306

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, 2018	472,933,689	66,137,274	11,349,577	(55,123,241)	1,681,591	24,045,201
Share-based compensation	**-**	**-**	**139,058**	**-**	**-**	**139,058**
Net loss for the period	**-**	**-**	**-**	**(3,574,275)**	**-**	**(3,574,275)**
Foreign currency translation adjustment	**-**	**-**	**-**	**-**	**5,962**	**5,962**
Balance at March 31, 2019	**472,933,689**	**66,137,274**	**11,488,635**	**(58,697,516)**	**1,687,553**	**20,615,946**
Balance at June 30, 2017	459,148,153	64,197,630	11,176,081	(43,551,548)	1,480,157	33,302,320
Shares issued on exercise of warrants	13,785,536	1,939,644	(330,016)	-	-	1,609,628
Share-based compensation	-	-	404,681	-	-	404,681
Net loss for the period	-	-	-	(8,870,808)	-	(8,870,808)
Foreign currency translation adjustment	-	-	-	-	266,133	266,133
Balance at March 31, 2018	472,933,689	66,137,274	11,250,746	(52,422,356)	1,746,290	26,711,954

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 March 31, **2019**	2018	Nine months ended March 31, **2019**	2018
	$	$	**$**	$
Operating activities				
Net loss for the period	**(877,703)**	(2,934,837)	**(3,574,275)**	(8,870,808)
Adjustments				
Share-based compensation	**30,623**	81,703	**139,058**	404,681
Depreciation and amortization	**13,464**	14,339	**38,040**	31,580
Accretion on environmental liability	**1,081**	2,170	**3,244**	4,965
Finance expense	**-**	-	**20,000**	-
Gain on disposal of capital assets	**(15,741)**	-	**(15,741)**	-
Unrealized loss (gain) on foreign exchange	**12,674**	(162,610)	**11,489**	51,564
Finance income accrued	**(625)**	(25,545)	**(17,308)**	(86,216)
Finance income received	**1,067**	32,522	**20,907**	82,650
Changes in working capital items				
Sales taxes receivable	**(2,217)**	(19,615)	**130,213**	(102,960)
Receivable from related parties	**1,779**	2,620	**-**	-
Prepaid expenses and other	**32,481**	43,882	**38,211**	(152,135)
Accounts payable and accrued liabilities	**401,181**	(14,312)	**(3,767)**	494,364
	(401,936)	(2,979,683)	**(3,209,929)**	(8,142,315)
Investing activities				
Proceeds on disposal of capital assets	**21,777**	-	**21,777**	-
Acquisition of capital assets	**-**	(25,009)	**-**	(118,149)
Additions to exploration and evaluation assets (Note 5)	**-**	(52,500)	**(125,253)**	(214,995)
	21,777	(77,509)	**(103,476)**	(333,144)
Financing activities				
Reimbursement of note payable (Note 6)	**-**	(27,500)	**(55,000)**	(82,500)
Issue of shares	**-**	632,993	**-**	1,609,628
	-	605,493	**(55,000)**	1,527,128
Effect of exchange rate changes on cash held in foreign currency	**(5,933)**	(38,542)	**(8,227)**	227,836
Net change in cash and cash equivalents	**(386,092)**	(2,490,241)	**(3,376,632)**	(6,720,495)
Cash and cash equivalents, beginning of period	**497,307**	9,831,451	**3,487,847**	14,061,705
Cash and cash equivalents, end of period	**111,215**	7,341,210	**111,215**	7,341,210
Supplemental cash flow information				
Accounts payable and accrued liabilities related to exploration and evaluation assets	**70,000**	-	**70,000**	-
Finance expense included in exploration and evaluation assets	**490,957**	476,809	**1,402,765**	1,372,109

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

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 unaudited condensed interim consolidated financial statements on May 27, 2019.

2. GOING CONCERN

To date, the Company has not earned revenues and is in the exploration and development stage. 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, including raising additional funds and completing the acquisition of the White Pine Project.

The Company has incurred a net loss of $3,574,275 during the nine months ended March 31, 2019 (a net loss of $8,870,808 during the nine months ended March 31, 2018), has a deficit of $58,697,516 at March 31, 2019 (a deficit of $55,123,241 at June 30, 2018) and has a working capital deficiency of $5,275,256 at March 31, 2019 (a working capital deficiency of $1,228,720 at June 30, 2018).

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, 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. 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 or all of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company (Note 15).

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. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Basis of presentation

These unaudited 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 unaudited 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, 2018 and 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

New accounting standard

The Company has adopted IFRS 9, *Financial Instruments*, effective July 1, 2018. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes three measurement categories for financial assets: (i) amortized cost; (ii) fair value through profit or loss ("FVPL"); and iii) fair value through other comprehensive income ("FVOCI"); and it establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between a hedged item and a hedging instrument.

The adoption of this standard did not have an impact on the Company's consolidated financial statements. There was no impact on carrying values and equity as at July 1, 2018 as a result of the adoption of the standard and there were no measurement differences on the Company's financial instruments.

The Company's financial instruments at July 1, 2018 are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

Cash and cash equivalents: Amortized cost under IFRS 9 (loans and receivables, measured at amortized cost under IAS 39)

Accounts payable and accrued liabilities: Amortized cost under IFRS 9 (other financial liabilities, measured at amortized cost under IAS 39).

Note payable, balance of purchase price payable and promissory note: Amortized cost under IFRS 9 (other financial liabilities, measured at amortized cost under IAS 39).

March 31, 2019 (unaudited - in US dollars)

4. CASH AND CASH EQUIVALENTS

	March 31, 2019	June 30, 2018
	$	$
Cash	**111,215**	734,984
Cash equivalents	**-**	2,752,863
	111,215	3,487,847

5. 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, 2018	**16,801,384**	**3,107,246**	**11,756,257**	**130,945**	**31,795,832**
Property payments in cash	**168,600**	**-**	**-**	**26,652**	**195,252**
Finance expense	**-**	**-**	**1,402,765**	**-**	**1,402,765**
Effect of change in foreign exchange	**-**	**-**	**-**	**(14,182)**	**(14,182)**
	168,600	**-**	**1,402,765**	**12,470**	**1,583,835**
Balance at March 31, 2019	**16,969,984**	**3,107,246**	**13,159,022**	**143,415**	**33,379,667**
Balance at June 30, 2017	16,505,051	3,082,246	10,016,530	747,906	30,351,733
Property payments in cash	186,100	-	-	28,895	214,995
Finance expense	87,994	-	1,284,115	-	1,372,109
Effect of change in foreign exchange	-	-	-	6,530	6,530
	274,094	-	1,284,115	35,425	1,593,634
Balance at March 31, 2018	16,779,145	3,082,246	11,300,645	783,331	31,945,367

(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 March 31, 2019 to August 30, 2019. 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.

March 31, 2019 (unaudited - in US dollars)

6. NOTE PAYABLE

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

	Nine months ended March 31, 2019
	$
Balance, beginning of period	**275,000**
Reimbursements (a)	**(55,000)**
Balance, end of period	**220,000**
At March 31, 2019	
Current liability	**137,500**
Non-current liability	**82,500**
	220,000

(a) The Company did not reimburse the amount of $27,500 due on March 31, 2019. The Company intends to reimburse this amount from the proceeds of the loan agreement described in Note 15.

7. BALANCE OF PURCHASE PRICE PAYABLE

In connection with the acquisition of the Copperwood Project from Orvana Minerals Corp. ("Orvana") in June 2014, a remaining amount of $1,000,000 is due to Orvana. In accordance with a May 2018 amended agreement between Orvana and the Company, the remaining amount of $1,000,000 was 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. Given that the remaining amount of $1,000,000 was not repaid by November 30, 2018, it bears interest at a rate of 15% per annum starting on December 1, 2018 (12% prior to this date) and a 2% penalty on the outstanding amount also becomes payable, which amount was presented as finance expense and included in accounts payable and accrued liabilities.

The Company intends to reimburse the balance of purchase price payable from the proceeds of the loan agreement described in Note 15.

March 31, 2019 (unaudited - in US dollars)

8. PROMISSORY NOTE

In connection with the acquisition of the UPX Property from Kennecott Exploration Company and Rio Tinto Nickel Company ("RTX"), subsidiaries of the Rio Tinto Group, on May 30, 2017, the balance of the non-interest-bearing promissory note owed to RTX at March 31, 2019 amounts to $15.0 million. An amount of $3.0 million is repayable to RTX on May 30, 2019, and annually thereafter until May 30, 2023. 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 first priority security interest over all of the properties acquired and Highland has guaranteed the repayment of the Note and all other obligations pursuant to the asset purchase agreement between RTX and UPX. The balance of the Note was determined as follows:

	Nine months ended March 31, 2019
	$
Balance, beginning of period	**8,745,487**
Accretion included in exploration and evaluation assets, calculated at a rate of 20%	**1,402,765**
Balance, end of period	**10,148,252**

At March 31, 2019	
Current liability	**2,902,446**
Non-current liability	**7,245,806**
	10,148,252

The Company is not in a position to settle the amount due of $3,000,000 on May 30, 2019 and has initiated discussions with RTX to restructure the schedule of payments provided under the secured promissory note. There can be no assurance that RTX will agree to reschedule the payments and there is a risk that RTX exercises its rights and takes back the UPX Property.

9. SHARE CAPITAL AND WARRANTS

Issued and fully paid

At March 31, 2019 and June 30, 2018, the Company had 472,933,689 issued and outstanding common shares.

Issuance of shares

During the nine months ended March 31, 2018, the Company issued a total of 13,785,536 shares following the exercise of 13,785,536 share purchase warrants at a price of Can $0.15 per share for total proceeds of $1,609,628. A total of 138,804,226 unexercised share purchase warrants expired during the nine months ended March 31, 2018.

Share purchase warrants

At March 31, 2019 and June 30, 2018, the Company had 1,000,000 share purchase warrants outstanding with an exercise price of C$0.15, expiring on March 17, 2020.

March 31, 2019 (unaudited - in US dollars)

10. STOCK OPTIONS

The following table sets out the activity in stock options:

	Nine months ended March 31, 2019	
	Number	**Weighted average exercise price (C$)**
Options, beginning of period	**15,200,000**	**0.17**
Expired	**(755,000)**	**(0.14)**
Options, end of period	**14,445,000**	**0.17**

The following table reflects the stock options issued and outstanding at March 31, 2019:

Issue date	Number of options	Exercise price	Remaining contractual life	Number of exercisable options	Exercise price of exercisable options
		C$	(years)		C$
August 1, 2014	1,400,000	0.50	0.3	1,400,000	0.50
April 21, 2015	1,400,000	0.25	1.0	742,500	0.25
November 20, 2015	200,000	0.13	1.6	200,000	0.13
August 28, 2017	8,425,000	0.11	3.4	5,616,667	0.11
October 26, 2017	2,070,000	0.17	3.6	1,380,000	0.17
May 15, 2018	950,000	0.10	4.1	316,667	0.10
	14,445,000	0.17	2.9	9,655,834	0.19

March 31, 2019 (unaudited - in US dollars)

11. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following expenses in Michigan, USA:

	Three months ended March 31,		Nine months ended December 31,	
	2019	2018	**2019**	2018
	$	$	**$**	**$**
Labour	**336,561**	629,002	**1,359,372**	1,773,092
Studies	**23,410**	1,096,303	**243,668**	3,235,802
Drilling and assaying	**705**	508,409	**40,973**	1,330,336
Office, overhead and other administrative costs	**117,707**	234,337	**461,929**	708,904
	478,383	2,468,051	**2,105,942**	7,048,134

12. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following corporate management and administration expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2019	2018	**2019**	2018
	$	$	**$**	$
Administrative and general	**249,982**	294,150	**787,339**	716,336
Office	**23,439**	34,194	**84,304**	86,430
Professional fees	**14,087**	61,059	**199,118**	210,395
Investor relations and travel	**18,142**	89,018	**75,619**	157,986
Reporting issuer costs	**9,398**	35,307	**27,425**	64,274
	315,048	513,728	**1,173,805**	1,235,421

13. OTHER COMMITMENTS

The Company has entered into long-term lease agreements expiring in April 2022 which calls for minimum lease payments of $229,500 for the rental of office and warehouse spaces. Minimum lease payments are $24,600 in 2019, $96,800 in 2020, $70,000 in 2021 and $38,100 in 2022.

March 31, 2019 (unaudited - in US dollars)

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:

			Mach 31, 2019
	Canada	**USA**	**Total**
	$	**$**	**$**
Current assets	**108,109**	**89,852**	**197,961**
Capital assets	**10,540**	**85,223**	**95,763**
Exploration and evaluation assets	**-**	**33,379,667**	**33,379,667**
Total assets	**118,649**	**33,554,742**	**33,673,391**

			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	-	31,795,832	31,795,832
Total assets	3,467,842	32,211,599	35,679,441

15. EVENT AFTER THE REPORTING DATE

On May 21, 2019, the Company announced the execution of a credit agreement (the “Loan”) with two of its shareholders, Greenstone Resources II LP ("Greenstone") and Osisko Gold Royalties Ltd (“Osisko”) (collectively, the "Lenders"). Under the terms of the Loan, the Lenders have agreed to provide the Company with a loan of up to $4,500,000 to be disbursed in a number of tranches pursuant to an approved budget. The Loan, which is secured by a mortgage on the Copperwood Project, bears interest at a rate of twelve percent per annum and matures on February 28, 2020. The principal amount of the Loan as well as accrued interest will be payable at the latest on the maturity date. The closing and a first drawdown of $2,750,000 were completed on May 24, 2019. The Company will be using the loan proceeds to settle its working capital deficiency, to initiate a scoping study on the White Pine Project and for general corporate purposes. The Company also intends to appoint a financial advisor to start a strategic review process.