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.

HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
– QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

The following interim management's discussion and analysis – quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three months ended March 31, 2019 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended June 30, 2018 ("**Annual MD&A**").

This Interim MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended March 31, 2019 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2018 and 2017 (the "**Annual Financial Statements**") and the Company's Annual MD&A, including the section describing risks and uncertainties. All financial results presented in this Interim MD&A are expressed in US dollars unless otherwise indicated.

The effective date of this Interim MD&A is May 27, 2019.

DESCRIPTION OF BUSINESS

Highland is a Canadian-based company engaged in the acquisition, exploration and development of mineral properties. The Company's mineral projects are located in the State of Michigan, USA.

The Company's principal assets, located in Michigan's Upper Peninsula region, include **Copperwood**, a fully permitted project, acquired in June 2014 from Orvana Minerals Corp. ("**Orvana**"), **White Pine** (subject to final closing of the acquisition from Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd.) and a mineral exploration property acquired from Kennecott Exploration Company and Rio Tinto Nickel Company (together, "**RTX**"), covering approximately 448,000 acres in the Upper Peninsula region, referred to as **UPX Property**.

Between October and December 2018, the Company received all major permits required to build and operate the Copperwood Project. In addition to the Part 632 Mining Permit, the Company received the Parts 301/303/325 Wetland Permit, the Part 55 Air Discharge Permit, and the Part 315 Dam Safety Permit-Tailing Dam. The application to obtain a Lake Superior water intake permit from the US Army Corps of Engineers (COE) is outstanding and a final decision is expected shortly.

Highland's common shares are listed on the TSX Venture Exchange ("**TSXV**") under the symbol HI and trade on the OTCQB Venture Marketplace under the symbol "HDRSF". At May 27, 2019, the Company has 472,933,689 common shares and 1,000,000 share purchase warrants issued and outstanding.

HIGHLIGHTS

Subsequent to the reporting period –$4.5 million loan from Greenstone and Osisko

- On May 21, 2019, the Company announced the execution of a credit agreement (the "**Loan**") with two of its significant 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 12% 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. Closing and the first drawdown of $2,750,000 occurred 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.

- Greenstone and Osisko respectively hold 17.1% and 15.7% of the issued and outstanding common shares of the Company; the entering into the Loan is considered to be a "related party transaction" under *Multilateral Instrument 61-101 respecting Protection of Minority Security Holders in Special Transactions* ("MI 61-101") but is exempted from the requirement to obtain a formal valuation and minority shareholder approval, as the Loan (i) is on reasonable commercial terms that are not less advantageous to Highland than if the Loan was obtained from an arm's length party, and (ii) is not convertible, directly or indirectly, into equity or voting securities of the Company or a subsidiary of the Company or repayable as to principal or interest, directly or indirectly, in equity or voting securities of the Company or a subsidiary of the Company.

During the three months ended March 31, 2019

- All exploration and development activities were suspended during the period, including field work, studies and efforts to finance the development of the Copperwood Project, to minimize cash requirements. Also, the number of employees in Michigan has been reduced to its minimum level.

- The Company and Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd., have agreed to extend the period to complete the acquisition of the White Pine project to August 31, 2019. The final closing of the acquisition is subject to a number of conditions including releasing CRC from certain environmental obligations associated with the remediation and closure plan of the historical White Pine mine site and replacing the related environmental bond. The Company may have to request an additional extension if all the conditions are not met by August 31, 2019, including having the funds to replace the environmental bond.

- Mr. Luc Lessard resigned from the Company's Board of Directors effective February 21, 2019.

FINANCIAL CONDITION

At March 31, 2019, the Company had a working capital deficiency of $5,275,256, including the balance of purchase price due to Orvana for the purchase of the Copperwood Project ($1,000,000) and the current portion of the secured promissory note due to RTX as consideration for the acquisition of the UPX Property in May 2017 ($3,000,000); 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.

On May 24, 2019, the Company completed a $4.5 million Loan with Greenstone and Osisko, described in the highlights section. Nevertheless, the Company will require additional funds to reimburse the Loan within the next nine months, to meet all existing commitments (including the promissory note of $15 million due to RTX over the next five years), and to complete the acquisition of White Pine (including an amount of approximately $1.7 million to replace the current environmental financial assurance bond).

With the support of a financial advisor, management will be looking at all potential options to raise such additional funds, including the sale of assets, joint venture arrangements and other potential strategic transactions. However, given the state of the capital markets for a company such as Highland and current copper prices, 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. These conditions and uncertainties indicate the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern.

EXPLORATION AND EVALUATION EXPENSES

During the nine months ended March 31, 2019, amounts invested in exploration and evaluation assets, and capitalized in accordance with the Company's accounting policy on exploration and evaluation expenses, included lease payments of $168,600 related to the Copperwood project and $26,652 related to other projects. A total accretion amount of $1,402,765 related to the secured non-interest bearing promissory note in favour of RTX was also capitalized to exploration and evaluation assets during the period.

During the comparative period in 2018, the capitalized amounts included lease payments of $186,100 related to the Copperwood project and $28,895 related to other properties, and an accretion amount of $1,372,109 related to the non-interest bearing promissory note in favour of RTX and the non-interest-bearing balance of purchase price payable in favor of Orvana.

Exploration and evaluation expenses charged to the statement of comprehensive loss during the three-month period ended March 31, 2019 and 2018 are as follows:

	Copperwood Project	**White Pine Project**	**UPX Property**	**Other projects**	**Three months ended Mar 31, 2019 Total**	Three months ended Mar 31, 2018 Total
	$	**$**	**$**	**$**	**$**	$
Labour	**276,501**	**19,293**	**40,767**	**-**	**336,561**	629,002
Studies and consultants	**2,793**	**20,617**	**-**	**-**	**23,410**	1,096,303
Drilling and assaying	**-**	**-**	**705**	**-**	**705**	508,409
Office, overhead and other administrative costs	**42,585**	**32,699**	**37,233**	**5,190**	**117,707**	234,337
	321,879	**72,609**	**78,705**	**5,190**	**478,383**	2,468,051

OPERATING ACTIVITIES

During the three months ended March 31, 2019, the Company incurred a net loss of $877,703 (nil per share) compared to a net loss of $2,934,837 ($0.01 per share) during the comparative period in 2018. Significant items during the period included exploration and evaluation expenses of $478,383 as detailed above ($2,468,051 in 2018), management and administration expenses of $315,048 ($513,728 in 2018), share-based compensation of $30,623 ($81,703 in 2018), finance expense of $42,796 mostly related to the remaining amount due to Orvana of $1,000,000 ($6,600 in 2018), a gain on disposal of certain vehicles of $15,741 (nil in 2018) and an unrealized loss on foreign exchange of $12,674 (an unrealized foreign exchange gain of $162,610 in 2018).

Management and administration expenses decreased during the three months ended March 31, 2019 due mostly to lower wages and fees to consultants following the reduction in wages of certain officers and the reduction of personnel at the corporate office, partially offset by the accrual of some severance payments (wages and fees of $249,982 during the current period compared to $294,150 in 2018), lower professional fees mainly attributable to a reduction in legal fees ($14,087 during the current period compared to $61,059 in 2018) and lower investor relations and travel expenses due to a significant reduction in investor relations activities compared to 2018 ($18,142 during the current period compared to $89,018 in 2018).

LIQUIDITIES AND CAPITAL RESOURCES

At March 31, 2019, the Company had a working capital deficiency of $5,275,256 compared to a working capital deficiency of $1,228,720 at June 30, 2018. The decrease in the working capital during the nine months ended March 31, 2019 is mainly attributable to exploration and evaluation expenses of $2,105,942, management and administration expenses of $1,173,805, lease payments of $195,252 related to the Copperwood Project and other mineral leases held, the reimbursement of an amount of $55,000 under a 4-year note payable related to certain mineral rights located in White Pine, Michigan, the finance expense of $115,746 related mostly to the balance of purchase price payable to Orvana, and the finance expense of $401,198 related to the secured promissory note due to RTX.

In May 2018, the Company and Orvana had agreed to defer the payment of $1,000,000 due to Orvana until the earlier of (a) ten (10) days after the closing of an equity financing by the Company of at least $4,000,000 and (b) November 30, 2018 (the "**Due Date**"). The amount of $1,000,000 was bearing interest at a rate of 12% per year until the Due Date. The Company was unable to repay Orvana by the Due Date. Since then, the unpaid amount bears interest at the rate of 15% per year and the Company will be required to pay a default penalty amount of 2% to Orvana.

The Company requires additional funds to carry-out its planned exploration and development work, to repay the balance of purchase price to Orvana, to complete the acquisition of the White Pine Project, to meet all other existing commitments, and to provide for management and administration expenses for the next 12 months.

The following table summarizes the contractual maturities of the Company's financial liabilities at March 31, 2019:

	Carrying amount	Settlement amount	Within 6 months	Within 1 year	2-3 years	Over 3 years
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**1,433,271**	**1,433,271**	**939,459**	**493,812**	**-**	**-**
Note payable	**220,000**	**220,000**	**82,500**	**55,000**	**82,500**	**-**
Balance of purchase price payable	**1,000,000**	**1,000,000**	**1,000,000**	**-**	**-**	**-**
Promissory note *(a)*	**10,148,252**	**15,000,000**	**3,000,000**	**-**	**6,000,000**	**6,000,000**
	12,801,523	**17,653,271**	**5,021,959**	**548,812**	**6,082,500**	**6,000,000**

(a) 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.

RELATED PARTY TRANSACTIONS

During the three and nine months ended March 31, 2019, the Company incurred administration expenses of $19,292 and $53,664 ($18,263 and $49,400 during the comparative period in 2018), mainly for the use of office space and telecommunication services provided by Reunion Gold Corporation, a related party by virtue of common management. During the three and nine months ended March 31, 2019, the Company recovered an amount of $41,378 and $169,752, respectively for the provision of management services to other TSXV-listed companies, related by virtue of common management, including Odyssey Resources Limited and Reunion Gold Corporation ($47,292 and $119,443 during the three and nine months ended March 31, 2018).

The remuneration awarded to key management personnel, including directors, the president and CEO, the Vice President, Exploration and the CFO, during the three and nine months ended March 31, 2019 totaled $143,427 and $520,023 ($236,432 and $839,130 in 2018).

NEW ACCOUNTING STANDARD

The Company 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. 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.

RISKS AND UNCERTAINTIES

Highland is subject to a number of significant risks and uncertainties due to the nature of its business which includes the acquisition, exploration and development of mineral projects. Risks specific to the Company include but are not limited to the risk relating to its current financial situation. Failure to successfully address such risks and uncertainties could have a significant negative impact on Highland's overall operations and financial condition and could materially affect the value of

Highland's assets and impact its future operating results and business plans. Therefore, an investment in the securities of Highland involves significant risks and should be considered speculative.

The risks and uncertainties described below are not necessarily the only ones that Highland could be facing. Additional risks or uncertainties not presently known to Highland or that Highland currently considers immaterial may also impair its business operations. Highland cannot give assurance that it will successfully address these risks. For additional risk factors, refer to the risks and uncertainties described in the Annual MD&A. Readers should carefully consider these risks and uncertainties.

Requirement for additional capital

Highland requires substantial amount of funds to meet all its existing commitments. Highland also needs a substantial amount of funds to continue its planned activities including: a) the development of its Copperwood Project and to place it into commercial production; if adequate financing is not available, the construction of the Copperwood mine and the commencement of production may be delayed indefinitely; b) to complete the acquisition of the White Pine Project, Highland requires funds to replace an environmental bond posted by CRC in relation with the remediation and closure plan of the historical White Pine mine site; if adequate financing is not available, the acquisition of the White Pine Project may be delayed or not be completed at all; c) to conduct exploration programs on its UPX Property and to repay the outstanding principal of a secured promissory note under which annual payments of $3.0 million will be due in May of each of the years 2019 to 2023; if adequate financing is not available, exploration programs may be delayed and RTX could enforce its rights under the secured promissory note and repossess the RTX Property; d) to repay the Loan to Greenstone and Osisko by February 28, 2020; if Highland is unable to repay the Loan, the lenders may enforce their security over the Copperwood Project and e) for general and administrative expenses.

The ability of Highland to achieve its plans and objectives is dependent on its ability to raise sufficient amounts of capital through equity and/or debt financing, joint venturing of projects, the sale of assets and other means. The outcome of these matters cannot be predicted at this time.

Highland's ability to raise the necessary funds depends in part upon the market's perception of its mineral projects, the price of and demand for copper, the state of the market to finance resource projects and global market conditions in general. No assurance can be given that additional capital will be available at all or available on terms acceptable to Highland.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, including, without limitation, statements relating to the Company's ability to obtain the funds necessary to settle its working capital deficiency, to meet its working capital needs and commitments, and to continue its activities; the potential timing and result of the permit applications for the Copperwood Project; the ability to complete the acquisition of the White Pine project; and the potential of its mineral projects are forward-looking statements. Forward-looking statements involve various risks and uncertainties some of which are described above. While the Company has been successful in raising financing in the past, there can be no assurance that it will be able to do so in the future. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

All forward-looking statements in this MD&A are based on information available to the Company as of the date hereof, and the Company undertakes no obligation to update forward-looking statements except as required by law.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR (www.sedar.com) and on the Company's website (www.highlandcopper.com).