



**Condensed interim consolidated financial statements**

**For the three and nine months ended March 31, 2022**

In US dollars

**Unaudited**

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**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>	March 31, 2022	June 30, 2021
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents (Note 4)	14,145,435	2,982,600
Sales taxes receivable	178,376	6,822
Prepaid expenses and other	68,082	32,048
	<b>14,391,893</b>	<b>3,021,470</b>
Non-current		
Environmental bond (Note 5)	1,676,149	-
Capital assets	36,294	29,446
Exploration and evaluation assets (Note 5)	21,585,749	38,740,479
<b>TOTAL ASSETS</b>	<b>37,690,085</b>	<b>41,791,395</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	1,159,558	2,236,842
Credit facility, including accrued interest (Note 6)	-	6,218,415
Promissory note, including accrued interest (Note 7)	-	17,754,189
	<b>1,159,558</b>	<b>26,209,446</b>
Non-current		
Environmental liability (Note 8)	875,298	274,275
<b>TOTAL LIABILITIES</b>	<b>2,034,856</b>	<b>26,483,721</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 9)	83,948,587	66,137,274
Contributed surplus	15,125,468	11,961,512
Deficit	(64,840,885)	(63,970,379)
Cumulative translation adjustment	1,422,061	1,179,267
<b>TOTAL EQUITY</b>	<b>35,655,229</b>	<b>15,307,674</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>37,690,085</b>	<b>41,791,395</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 March 31,		nine months ended March 31,	
	2022	2021	2022	2021
			\$	\$
<b>Expenses and other items</b>				
Exploration and evaluation (Note 11)	936,468	115,376	1,475,429	497,987
Management and administration (Note 12)	495,699	267,063	1,540,920	736,544
Depreciation and amortization	1,308	2,271	4,049	20,511
Stock-based compensation	237,609	-	310,192	-
Gain on disposal of exploration and evaluation assets (Note 5)	-	-	(2,945,939)	-
Accretion on environmental liability (Note 8)	2,625	2,031	7,875	6,093
Finance expense (Note 13)	-	534,094	322,145	1,655,565
Finance income	(17,512)	-	(34,350)	(19)
Loss (gain) on foreign exchange	99,030	(76,293)	190,185	(435,464)
<b>Net income (loss) for the period</b>	<b>(1,755,228)</b>	<b>(844,542)</b>	<b>(870,501)</b>	<b>(2,481,217)</b>
Other comprehensive income (loss)				
Item that may not be subsequently reclassified to income				
Foreign currency translation adjustment	392,976	(89,623)	1,229,981	(739,175)
Item that may be subsequently reclassified to income				
Foreign currency translation adjustment	(150,185)	1,562	(880,198)	274,614
<b>Comprehensive income (loss) for the period</b>	<b>(1,512,437)</b>	<b>(932,603)</b>	<b>(520,718)</b>	<b>(2,945,778)</b>
Basic and diluted loss per common share	(0.00)	(0.00)	(0.00)	(0.01)
Weighted average number of common shares - basic and diluted	736,363,619	472,933,689	736,363,619	472,933,689

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

## Highland Copper Company Inc. Condensed Interim Consolidated Statements of Shareholders' 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, 2021	472,933,689	66,137,274	11,961,512	(63,970,379)	1,179,267	15,307,674
Private placement (Note 9)	263,429,930	17,971,063	2,853,765	-	-	20,824,828
Share issue expenses (Note 9)	-	(159,750)	-	-	-	(159,750)
Stock-based remuneration	-	-	310,193	-	-	310,193
Net income for the period	-	-	-	(870,506)	-	(870,506)
Foreign currency translation adjustment	-	-	-	-	242,790	242,790
<b>Balance at March 31, 2022</b>	<b>736,363,619</b>	<b>83,948,587</b>	<b>15,125,469</b>	<b>(64,840,885)</b>	<b>1,422,057</b>	<b>35,655,229</b>
Balance at June 30, 2020	472,933,689	66,137,274	11,872,108	(81,650,160)	1,740,956	(1,899,822)
Below market element of credit facility (Note 5)	-	-	204,156	-	-	204,156
Net loss for the period	-	-	-	(2,481,217)	-	(2,481,217)
Foreign currency translation adjustment	-	-	-	-	(464,561)	(464,561)
<b>Balance at March 31, 2021</b>	<b>472,933,689</b>	<b>66,137,274</b>	<b>12,076,264</b>	<b>(84,131,377)</b>	<b>1,276,395</b>	<b>(4,641,444)</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>	Nine months ended March 31,	
	2022	2021
	\$	\$
<b>Operating activities</b>		
Net income (loss) for the period	(870,503)	(2,481,217)
Adjustments		
Share-based compensation	310,192	-
Depreciation and amortization	4,048	20,511
Gain on disposal of exploration and evaluation assets (Note 5)	(2,946,908)	-
Accretion on environmental liability (Note 8)	7,875	6,093
Unrealized loss (gain) on foreign exchange	115,464	(435,464)
Finance expense (Note 13)	322,147	1,653,856
Finance income accrued	-	(19)
Finance income received	-	19
Changes in working capital items		
Sales taxes receivable	(171,906)	(3,291)
Prepaid expenses and other	(36,881)	(10,392)
Accounts payable and accrued liabilities	(1,037,540)	815,193
	<b>(4,304,013)</b>	<b>(434,711)</b>
<b>Investing activities</b>		
Environmental bond (Note 5)	(1,676,149)	-
Capital assets	(12,063)	-
Proceeds from sale of exploration and evaluation assets (Note 5)	3,000,000	-
Additions to exploration and evaluation assets (Note 5)	(126,025)	(122,275)
	<b>1,261,788</b>	<b>(122,275)</b>
<b>Financing activities</b>		
Issue of share capital (Note 9)	20,824,827	-
Share issue expenses (Note 9)	(159,750)	-
Credit facility	-	500,000
Reimbursement of credit facility (Note 6)	(6,337,766)	-
Reimbursement of note payable	-	(55,000)
Repayment of lease liabilities	-	(12,537)
	<b>14,327,311</b>	<b>432,463</b>
Effect of exchange rate changes on cash held in foreign currency	(122,251)	23,584
Net change in cash and cash equivalents	<b>11,162,835</b>	<b>(100,939)</b>
Cash, beginning of period	<b>2,982,600</b>	<b>164,327</b>
Cash and cash equivalents, end of period	<b>14,145,435</b>	<b>63,388</b>
<b>Supplemental cash flow information</b>		
Additions to exploration and evaluation assets, included in accounts payable and accrued liabilities	-	136,378
Additions to exploration and evaluation assets and to environmental liability	593,148	-
Below-market element of credit facility in contributed surplus	-	204,156

*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 and nine months ended March 31, 2022** (unaudited - in US dollars)

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## 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 March 31, 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").

On July 27, 2021, the Company completed the final acquisition of the White Pine North Project from Copper Range Company ("CRC"), a wholly-owned subsidiary of First Quantum Minerals Ltd. (Note 5). On August 27, 2021, the Company sold the UPX property to Sweetwater Royalties ("Sweetwater"), a company owned by Orion Resource Partners ("Orion"), a significant shareholder of the Company (Note 5). On August 27, 2021 and on September 9, 2021, the Company completed in two tranches a non-brokered private placement for gross proceeds of Can \$26,342,993 (\$20,824,827) (Note 9) and settled all amounts due to Osisko Gold Royalties Ltd ("Osisko") and Greenstone Resources II LP ("Greenstone") under the credit facility described in Note 6.

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 May 24, 2022.

### *COVID-19*

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

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

**Three and nine months ended March 31, 2022** *(unaudited - in US dollars)*

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## 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.

Management of the Company believes it has sufficient funds to pay for its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for at least the next 12 months. However, since the Company does not generate revenues, the Company will need to obtain additional funds to pursue its operations and meet its obligations related to the development of the Copperwood and White Pine North projects.

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 \$64,628,877 at March 31, 2022 (a deficit of \$63,970,379 at June 30, 2021). At March 31, 2022, the Company has a working capital of \$13,232,333 (a working capital deficiency of \$23,187,976 at June 30, 2021).

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 and reported expenses.

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

**Three and nine months ended March 31, 2022** (unaudited - in US dollars)

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### 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, 2021 and 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### 4. CASH AND CASH EQUIVALENTS

As at March 31, 2021, cash and cash equivalents of \$14,145,435 includes Can \$5,500,000 (\$4,401,408) of guaranteed investment certificates bearing interest at a weighted-average rate of 0.55%, cashable at any time without penalties.



# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended March 31, 2022 (unaudited - in US dollars)

## 5. EXPLORATION AND EVALUATION ASSETS

	Copperwood Project	White Pine North Project	UPX Property	Total
	\$	\$	\$	\$
Balance at June 30, 2021	17,538,034	3,192,368	18,010,077	38,740,479
Property payments	266,025	-	-	226,025
Disposal of UPX Property	-	-	(18,010,077)	(18,010,077)
Addition to environmental liability (Note 8)	-	593,148	-	593,148
Effect of change in foreign exchange	-	(3,826)	-	(3,826)
<b>Balance at March 31, 2022</b>	<b>17,804,059</b>	<b>3,781,690</b>	<b>-</b>	<b>21,585,749</b>

### Final Closing of the Acquisition of the White Pine North Project

On July 27, 2021, as part of the transaction with CRC, Highland has 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 assumed all of CRC's environmental liabilities related to the former White Pine mine site resulting in an increase of the environmental liability by \$593,148 as at July 27, 2021 (Note 8).

### 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 and nine months ended March 31, 2022 (unaudited - in US dollars)

## 6. CREDIT FACILITY

On May 20, 2019, the Company entered into a loan agreement with Osisko and Greenstone (collectively, the "Lenders"), under which the Lenders agreed to provide the Company with a loan of up to \$4,500,000. On September 4, 2020, pursuant to an amendment to the loan agreement, Osisko made available to the Company an additional amount of \$500,000 increasing the total indebtedness under the loan agreement to \$5,000,000, plus accrued interest. The loan bore interest at a rate of 12% per annum. On closing of the non-brokered private placement described in Note 9, the Company settled all amounts due to Osisko and Greenstone for a total amount of \$6,337,766.

	Nine months ended March 31, 2022
	\$
Balance, beginning of period	6,218,415
Interest payable	119,351
Reimbursement of loan, including accrued interest	(6,337,766)
Balance, end of period	-

## 7. PROMISSORY NOTE

On August 27, 2021, the Company sold the UPX Property to Sweetwater for a cash amount of \$3 million and the assumption by Sweetwater of the amount owing under the promissory note.

The balance of the promissory note is as follows:

	Nine months ended March 31, 2022
	\$
Balance, beginning of period	17,754,189
Accrued interest	202,796
Assumption of promissory note by Sweetwater (Note 5)	(17,956,985)
Balance, end of period	-

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended March 31, 2022 (unaudited - in US dollars)

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## 8. 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 \$2,048,600 at July 27, 2021 and the present value of the total liability was estimated at \$867,423, calculated using a discount rate of 8.0% and reflecting payments to be made from 2022 to 2051, inclusively.

	Nine months ended
	March 31, 2022
	\$
Balance, beginning of period	274,275
Final acquisition of the White Pine North Project (Note 5)	593,148
Accretion expense	7,875
Balance, end of period	875,298

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended March 31, 2022 (unaudited - in US dollars)

## 9. SHARE CAPITAL

### *Issued and fully paid*

At March 31, 2022, the Company had 736,363,619 issued and outstanding common shares (472,933,689 issued and outstanding common shares at June 30, 2021).

### *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 \$159,750, including finders' fees of \$82,600.

The underlying expected volatility described above was determined by reference to historical data of the Company's share price over the expected life of the warrants.

### *Share purchase warrants*

The following table reflects the number of issued and outstanding share purchase warrants at March 31, 2021:

Grant date	Number of warrants		Number of warrants Mar 31, 2021	Price per share	Expiry date
	June 30, 2021	Granted			
				\$	
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 and nine months ended March 31, 2022 (unaudited - in US dollars)

## 10. STOCK OPTIONS

The following table sets out the activity in stock options:

	Nine months ended March 31, 2022	
	Number	Weight average exercise price (C\$)
Options, beginning of period	7,525,000	0.12
Granted	10,000,000	0.11
Options, end of period	17,525,000	0.12

The following table reflects the stock options issued and outstanding at March 31, 2021:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
August 28, 2017	6,775,000	0.11	0.4	6,775,000	0.11
October 26, 2017	750,000	0.17	0.6	750,000	0.17
December 16, 2021	3,500,000	0.11	4.7	1,166,667	0.11
February 24, 2022	6,500,000	0.15	4.9	2,166,667	0.15
	17,525,000	0.13	2.9	10,858,333	0.12

## 11. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Labour	245,831	13,732	315,262	62,873
Studies	580,177	52,041	884,646	271,534
Office, overhead and other administrative costs	110,460	49,603	275,521	163,580
	936,468	115,376	1,475,429	497,987

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended March 31, 2022 (unaudited - in US dollars)

## 12. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Administrative and general	272,133	166,358	981,994	519,093
Office	28,665	25,913	87,498	77,271
Professional fees	125,291	60,903	366,375	115,755
Investor relations and travel	40,003	945	59,302	1,752
Reporting issuer costs	29,608	12,944	45,751	22,673
	495,699	267,063	1,540,920	736,544

## 13. FINANCE EXPENSE

The Company incurred the following finance expense:

	Three months ended March 31,		Nine months ended March 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Effective interest on credit facility (Note 6)	-	234,101	119,351	734,736
Interest on note payable	-	-	-	1,650
Accretion on lease liabilities	-	-	-	3,091
Interest on promissory note (Note 7)	-	299,993	202,796	916,029
Other	-	-	-	59
	-	534,094	322,147	1,655,565

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine months ended March 31, 2022 (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:

	March 31, 2022		
	Canada	USA	Total
	\$	\$	\$
Current assets	11,495,189	2,896,704	14,391,893
Environmental bond	-	1,676,149	1,676,149
Capital assets	3,405	32,889	36,294
Exploration and evaluation assets	388,796	21,196,953	21,585,749
Total assets	11,887,390	25,802,695	37,690,085

  

	June 30, 2021		
	Canada	USA	Total
	\$	\$	\$
Current assets	1,335,930	1,685,540	3,021,470
Capital assets	-	29,446	29,446
Exploration and evaluation assets	-	38,740,479	38,740,479
Total assets	1,335,930	40,455,465	41,791,395

**HIGHLAND COPPER COMPANY INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
- QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2022**

*The following 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, 2022 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, 2021 ("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 months ended March 31, 2022 (the "Interim Financial Statements"), the Company's audited consolidated financial statements for the years ended June 30, 2021 and 2020 (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 24, 2022.*

**DESCRIPTION OF BUSINESS**

Highland and its subsidiaries are engaged in the acquisition, exploration and development of mineral properties. The Company's assets are **Copperwood**, a feasibility stage copper project, and **White Pine North**, an advanced-stage copper project, both located in the Upper Peninsula region of the State of Michigan, USA.

Highland, a Canadian-based company, was incorporated under the *Business Corporations Act (British Columbia)* in 2006. Highland's common shares are listed on the TSX Venture Exchange ("**TSXV**") under the symbol "HI" and on the OTCQB Venture Marketplace (the "**OTCQB**") under the symbol "HDRSF". As at March 31, 2022, the Company has 736,363,619 common shares issued and outstanding. Orion Resource Partners ("**Orion**"), Condire Investors LLC ("**Condire**") and Greenstone Resources II LP ("**Greenstone**") hold respectively 27.7%, 16.2% and 15.9% of the Company's issued and outstanding common shares.

**HIGHLIGHTS DURING THE THREE MONTHS ENDED March 31, 2022**

- During the quarter, we continued work on the updated Feasibility Study which is being undertaken by G Mining Services Inc. ("G Mining"). At March 31, 2022, approximately 90% of the underlying engineering work was completed. We are targeting to complete the updated Feasibility Study, including a development schedule, by June 2022.
- The Company is aiming to initiate construction activities at the Copperwood Project in early 2023, depending in part on the results of the updated Feasibility Study and reigning conditions in the financial and capital markets.
- Year to date, a range of key steps have been taken to prepare Highland Copper for funding and development of our key assets in Michigan. The sale of the Company's exploration assets and an equity raise in the first half of the year facilitated payment of all outstanding corporate debt. Six new Board members were added in December 2021 and we announced the appointment of Barry O'Shea as Highland's Chief Financial Officer in February 2022.
- At White Pine North, the Company plans to initiate baseline environmental studies over the coming months and will consider a conversion drilling program this coming winter. We plan to begin a Feasibility Study in the first half of 2023.



- The Company realized net income loss of \$1.5 million during the three months ended March 31, 2022 and a net income loss of \$0.7 million for the nine months ended March 31, 2022 (nil per share) compared to a net loss of \$0.8 million during the three-month comparative period and a net loss of \$2.5 million for the nine-month comparative period in 2021 (nil per share); net income during the 2022 period includes a gain of \$2.9 million on the sale of UPX Minerals to Sweetwater.
- Expenditures in three months ended March 31, 2022 relate primarily to the ongoing updated Feasibility Study work for Copperwood.
- As at March 31, 2022, the Company is debt free, has cash of \$14.1 million and working capital of \$13.2 million.
- The Company estimates that the current working capital will be sufficient: (i) to complete the update of the 2018 Copperwood Feasibility Study described below, (ii) to initiate baseline environmental studies at the White Pine North Project and (iii) to provide for management and administration expenses for at least the next 12 months.

### **EXPLORATION AND EVALUATION EXPENSES**

The amounts capitalized during the nine months ended March 31, 2022 include a lease payment of \$266,025 related to the Copperwood Project and an amount of \$593,148 resulting from an increase of the environmental liability related to the White Pine North Project following its final acquisition in July 2021.

Exploration and evaluation expenses charged to earnings during the three months ended March 31, 2022 and 2021 are as follows:

	Copperwood	White Pine	Other	Three months ended Mar 31, 2022	Three months ended Mar 31, 2021
	Project	Project	expenses	Total	Total
	\$	\$	\$	\$	\$
Labour	211,347	34,484	-	245,831	13,732
Studies and consultants	562,587	17,590	-	580,177	52,041
Contractors	-	-	-	-	-
Office, overhead and other administrative costs	19,333	29,177	61,950	110,460	49,603
	<b>793,267</b>	<b>81,251</b>	<b>61,950</b>	<b>936,468</b>	115,376

### **OPERATING ACTIVITIES**

During the three months ended March 31, 2022, the Company realized net loss of \$1,755,228 (nil per share) compared to a net loss of \$884,542 (nil per share) during the comparative period in 2021. Other significant items during the period included exploration and evaluation expenses of \$936,468 as detailed above (\$115,376 in 2021), management and administration expenses of \$495,699 (\$267,063 in 2021) and an unrealized loss on foreign exchange of \$122,306 (a foreign exchange gain of

\$76,293 in 2021) mostly related to the conversion of the loan due to Osisko and Greenstone to Canadian dollars. Expenditures predominantly related to the feasibility study update. Management and administration expenses during the three months ended March 31, 2022 included wages and fees to consultants of \$272,133.

### **LIQUIDITIES AND CAPITAL RESOURCES**

At March 31, 2022, the Company had a working capital of \$13,232,333 compared to a working capital deficiency of \$23,187,976 at June 30, 2021. During the nine months ended March 31, 2022, the Company completed a non-brokered private placement for a net amount of \$20,737,659, completed the sale of UPX Minerals for a cash amount of \$3,000,000 and the assumption by Sweetwater of the amount owing under the Note due to RTX of \$17,956,985, reimbursed the amounts due under the Credit Facility, posted an environmental bond in the amount of \$1,676,149 related to the final acquisition of the White Pine North Project, incurred exploration and evaluation expenses of \$1,475,428, management and administration expenses of \$1,540,916 and made property payments of \$266,025.

At March 31, 2022, financial liabilities of \$1,159,558 consisted of accounts payable and accrued liabilities due within the next three months.

### **RELATED PARTY TRANSACTIONS**

During the three and nine months ended March 31, 2022, the Company incurred administration expenses of \$15,639 and \$46,679, respectively from Reunion Gold Corporation ("**Reunion Gold**"), a related party by virtue of common key management and a director (\$13,738 and \$59,527 during the comparative period in 2021). At March 31, 2022, the Company had an amount payable of \$15,639 to Reunion Gold (\$126,051 at June 30, 2021).

The remuneration to directors and key management of the Company, including the President and CEO and the CFO, during the three and nine months ended March 31, 2022, totaled \$209,067 and \$615,312, respectively, including an amount of \$300,000 paid to the Company's former executive chairman following the termination of his employment agreement effective August 31, 2021 (\$128,711 and \$428,999 during the comparative periods in 2021) and an amount of \$120,038 (\$150,000 CAD) to the former CFO.

As described in the *Corporate Activities* section, the sale of UPX Minerals to Sweetwater, an affiliate of Orion, and the participation of insiders in the Offering are also related party transactions that occurred during the three months ended September 30, 2021.

### **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. 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 highly speculative.

Highland's ability to raise the necessary funds to develop its projects and place them into commercial production 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.

The extent to which the COVID-19 pandemic impacts the Company's business will depend on future developments which are highly uncertain and cannot be predicted at this time. In addition to the potentially adverse impact on the Company's ability to raise the funds required to continue its activities, the continued spread of the COVID-19 globally could also have an impact on employees' health, the availability of personnel, and other impacts beyond the Company's control, all of which may have a material and adverse effect on the Company's business, financial condition and results of operations.

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.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "**forward-looking statements**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect expectations or beliefs of the Company's management regarding future events. Forward-looking statements include but are not limited to statements with respect to: funding requirements to explore and develop the Copperwood and White Pine North projects; the estimation of mineral resources and mineral reserves; the timing and cost of the construction of the Copperwood Project; the timing and amount of estimated future production, costs of production and capital expenditures; and the Company's plans and objectives. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document certain forward-looking statements are identified by words including "anticipation", "plan" and "expected".

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the Company's ability to raise capital, risks inherent to future prices of copper and other metals, the accuracy of mineral resource and mineral reserve estimates, increased operating and capital costs due to inflation or other factors, supply chain disruptions, changes to governmental regulations, compliance with governmental regulations and environmental laws and regulations, reliance on approvals and permits from governmental authorities, challenges to title to the Company's mineral properties, maintaining social license to operate, dependence on key management personnel, competition in the mining industry, and other risks of the mining industry as well as those factors detailed from time to time in the Company's interim and annual financial statements and MD&A, all of which are filed and available for review under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Although the Company has attempted to identify important factors that could cause actual results, performance, or achievements to differ materially from those described in these forward-looking statements, there may be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended.

There can be no assurance that these forward-looking statements will prove to be accurate, as actual results, performance or achievements could differ materially from those anticipated in such statements. Accordingly, readers should not place undue

#### **ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

Additional information on the Company is available through regular filings of press releases, financial statements and MD&A on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.highlandcopper.com](http://www.highlandcopper.com)).