



Condensed interim consolidated financial statements

For the three and nine month periods ended March 31, 2023

In US dollars

Unaudited

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Highland Copper Company Inc. have been prepared by and are the responsibility of the Company's management.

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Financial Position

<i>(unaudited, in US dollars)</i>	March 31, 2023	June 30, 2022
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	8,628,906	12,929,815
Sales taxes receivable	142,259	51,041
Prepaid expenses and other	92,315	70,924
	8,863,480	13,051,780
Non-current		
Environmental bond (Note 4)	613,633	1,676,149
Capital assets	42,668	29,672
Exploration and evaluation assets (Note 5)	23,122,284	22,856,259
TOTAL ASSETS	32,642,065	37,613,860
LIABILITIES		
Current		
Accounts payable and accrued liabilities	1,082,825	1,257,830
	1,082,825	1,257,830
Non-current		
Asset retirement obligation (Note 6)	2,102,227	2,097,425
TOTAL LIABILITIES	3,185,052	3,355,255
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	83,948,586	83,948,586
Contributed surplus	15,917,646	15,220,385
Deficit	(71,063,814)	(66,026,815)
Cumulative translation adjustment	654,595	1,116,449
TOTAL EQUITY	29,457,013	34,258,605
TOTAL LIABILITIES AND EQUITY	32,642,065	37,613,860

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 Loss and Comprehensive Loss

<i>(unaudited, in US dollars)</i>	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2023	2022	2023	2022
			\$	\$
Expenses and other items				
Exploration and evaluation (Note 9)	1,615,948	936,468	3,400,869	1,475,429
Management and administration (Note 10)	447,162	495,699	1,420,125	1,540,920
Depreciation and amortization	2,693	1,308	8,325	4,049
Stock-based compensation	145,713	237,609	697,261	310,192
Gain on disposal of exploration and evaluation assets (Note 5)	-	-	-	(2,946,908)
Accretion on asset retirement obligation (Note 6)	1,601	2,625	4,802	7,875
Finance expense	-	-	-	322,145
Finance income	(74,281)	(17,512)	(155,423)	(34,350)
(Gain) loss on foreign exchange	(8,689)	99,030	(338,960)	190,185
Net loss for the period	(2,130,146)	(1,755,228)	(5,036,999)	(869,537)
Other comprehensive income (loss)				
Item that may be subsequently reclassified to income				
Foreign currency translation adjustment	18,848	242,791	(461,854)	349,783
Comprehensive loss for the period	(2,111,298)	(1,512,437)	(5,498,853)	(519,754)
Basic and diluted loss per common share	0.00	(0.00)	(0.01)	(0.00)
Weighted average number of common shares - basic and diluted	736,363,619	736,363,619	736,363,619	736,363,619

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

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Shareholders' Equity

<i>(unaudited, in US dollars)</i>	Number of issued and outstanding common shares	Share capital	Contributed Surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity (deficit)
		\$	\$	\$	\$	\$
Balance at June 30, 2022	736,363,619	83,948,586	15,220,385	(66,026,815)	1,116,449	34,258,605
Stock-based compensation	-	-	697,261	-	-	697,261
Net loss for the period	-	-	-	(5,036,999)	-	(5,036,999)
Foreign currency translation adjustment	-	-	-	-	(461,854)	(461,854)
Balance at March 31, 2023	736,363,619	83,948,586	15,917,646	(71,063,814)	654,595	29,457,014
Balance at June 30, 2021	472,933,689	66,137,274	11,961,512	(63,970,379)	1,179,267	15,307,674
Private placement	263,429,930	17,971,063	2,853,765	-	-	20,824,828
Share issue expenses	-	(159,750)	-	-	-	(159,750)
Stock-based compensation	-	-	310,192	-	-	310,192
Net loss for the period	-	-	-	(869,537)	-	(869,537)
Foreign currency translation adjustment	-	-	-	-	242,790	242,790
Balance at March 31, 2022	736,363,619	83,948,587	15,125,469	(64,839,916)	1,422,057	35,656,197

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-month periods ended March 31,	
	2023	2022
	\$	\$
Operating activities		
Net loss for the period	(5,036,999)	(869,537)
Adjustments		
Share-based compensation	697,261	310,192
Depreciation and amortization	8,325	4,049
Gain on disposal of exploration and evaluation assets (Note 5)	-	(2,946,908)
Accretion on asset retirement obligation (Note 6)	4,802	7,875
Unrealized (gain) loss on foreign exchange	(338,960)	(190,185)
Finance expense	-	322,145
Changes in working capital items		
Sales taxes receivable	(91,217)	(171,906)
Prepaid expenses and other	(21,391)	(36,881)
Accounts payable and accrued liabilities	(175,005)	(1,037,540)
	(4,953,184)	(4,608,696)
Investing activities		
Environmental bond (Note 4)	1,062,516	(1,676,149)
Capital assets	(12,997)	(12,063)
Proceeds from sale of exploration and evaluation assets (Note 5)	-	3,000,000
Additions to exploration and evaluation assets (Note 5)	(266,025)	(126,025)
	783,494	1,185,763
Financing activities		
Issue of share capital (Note 7)	-	20,824,827
Share issue expenses (Note 7)	-	(159,750)
Reimbursement of credit facility	-	(6,337,766)
	-	14,327,311
Effect of exchange rate changes on cash held in foreign currency	(131,219)	258,457
Net change in cash and cash equivalents	(4,300,909)	11,162,835
Cash and cash equivalents, beginning of period	12,929,815	2,982,600
Cash and cash equivalents, end of period	8,628,906	14,145,435
Cash and cash equivalents are comprised of:		
Cash	7,518,169	9,252,582
Cash equivalents	1,110,737	4,892,853

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, 2023 (unaudited - in US dollars)

1. GENERAL INFORMATION

Highland Copper Company Inc. is a Canadian-based company. Highland and its subsidiaries (together “Highland” or the “Company”) are primarily engaged in the acquisition, exploration and development of mineral properties in the State of Michigan, USA. Highland’s common shares are listed on the TSX Venture Exchange under the symbol HI, and on the OTCQB Venture Marketplace under the symbol "HDRSF".

At March 31, 2023, the Company’s principal assets, located in Michigan’s Upper Peninsula region, include the 100%-owned Copperwood copper project (the “Copperwood Project”) and the White Pine North copper project (the “White Pine North Project”).

All financial results in these unaudited condensed interim consolidated financial statements are expressed in US dollars unless otherwise indicated.

The Board of Directors approved these unaudited condensed interim consolidated financial statements on April 27, 2023.

2. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The Company is subject to a number of risks and uncertainties associated with its future exploration and development activities. The recovery of amounts recorded for exploration and evaluation assets depends on the ability of the Company to obtain the necessary financing to complete the development of the projects, and future profitable production from the projects or proceeds from their disposition thereof.

To date, the Company has not yet generated positive cash flows from its operating activities and is in the exploration and development stage. The Company has a deficit of \$71,063,814 at March 31, 2023 (a deficit of \$66,026,815 at June 30, 2022). At March 31, 2023, the Company has working capital (total current assets less total current liabilities) of \$7,780,656 (\$11,793,950 at June 30, 2022). The Company has relied upon external financings, primarily through the issuance of equity, as well as proceeds from the disposal of exploration and evaluation assets, to fund its operations in the past. Since the Company does not generate revenues, the Company will need to obtain additional funds through the issuance of shares, the exercise of warrants and share options or from other sources to pursue its operations and meet its obligations related to the development of the Copperwood and White Pine North projects beyond the current fiscal year. Despite the fact that it has been able to raise funds in the past, there is no guarantee of success for the future. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine-month periods ended March 31, 2023 *(unaudited - in US dollars)*

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.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") 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, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement

These condensed interim consolidated financial statements were prepared on the historical cost basis, less any impairment, except for the following material items:

- Equity-classified share-based payment arrangements are measured at fair value at grant date pursuant to IFRS 2, Share-based payment.
- Asset retirement obligations that are measured at the present value of the expected expenditures to settle the obligation.

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements
Three and nine-month periods ended March 31, 2023 (unaudited - in US dollars)

4. ENVIRONMENTAL BOND

On May 13, 2014, the Company acquired from Copper Range Company (CRC) all rights, title and interest in the White Pine North Project. On July 27, 2021, in accordance with the acquisition agreement, Highland (i) deposited an agreed amount of \$1,676,149 with the Michigan Department of Environment, Great Lakes, and Energy (“EGLE”) associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality. Highland assumed all of CRC’s environmental liabilities related to the former White Pine mine site and will also be responsible for all ongoing environmental obligations.

During the previous quarter-end, the Company initiated the process to replace the financial assurance with a surety bond. An underwriter is now in charge of the bond to EGLE. As part of that process, the Company placed a unique cash deposit of \$613,633 with the surety provider, which represents 35% of the value of the total assurance. No further deposits are required unless the value of the financial assurance changes. During the current quarter, the financial assurance amount of \$1,676,149 was returned by EGLE.

5. EXPLORATION AND EVALUATION ASSETS

	Copperwood Project	White Pine North Project	UPX Property	Total
	\$	\$	\$	\$
Balance at June 30, 2022	17,804,059	5,052,200	-	22,856,259
Acquisition	266,025	-	-	266,025
Balance at March 31, 2023	18,070,084	5,052,200	-	23,122,284

	Copperwood Project	White Pine North Project	UPX Property	Total
	\$	\$	\$	\$
Balance at June 30, 2021	17,538,034	3,192,368	18,010,077	38,470,479
Acquisition	266,025	30,000	-	266,025
Disposal of UPX Property	-	-	(18,010,077)	(18,010,077)
Addition to asset retirement obligation	-	1,812,650	-	1,812,650
Effect of change in foreign exchange	-	17,182	-	17,182
Balance at June 30, 2022	17,804,059	5,052,200	-	22,856,259

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine-month periods ended March 31, 2023 (unaudited - in US dollars)

Sale of the UPX Project

On August 27, 2021, the Company completed the sale of the UPX Property to a subsidiary of Orion Mine Finance (“Orion”), a significant shareholder of the Company, for a total cash consideration of \$3,000,000 and the assumption of the promissory note. As a result of the transaction, the Company recorded a gain on disposal of \$2,946,908 presented in the consolidated statements of income and comprehensive income for the nine-month period ended March 31, 2022:

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

6. ASSET RETIREMENT OBLIGATION

The asset retirement obligation consists of a provision for reclamation costs related to the White Pine North Project. The undiscounted cash flow amount of the total liability was estimated at \$2,408,600 at March 31, 2023. The present value of the total liability was calculated using a discount rate of 3.69% and is reflecting payments to be made from 2022 to 2051, inclusively, while taking into consideration an inflation of 2.52% over that period.

	Nine-month periods ended	Year ended
	March 31, 2023	June 30, 2022
	\$	
Balance, beginning of period	2,097,425	274,275
Addition	-	1,812,650
Accretion expense	4,802	10,500
Balance, end of period	2,102,227	2,097,425

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine-month periods ended March 31, 2023 (unaudited - in US dollars)

7. SHARE CAPITAL

Issued and fully paid

At March 31, 2023, the Company had 736,363,619 issued and outstanding common shares (736,363,619 issued and outstanding common shares at June 30, 2022).

Issuance of securities

On August 27, 2021 and on September 9, 2021, the Company completed, in two tranches, a non-brokered private placement through the issuance of 263,429,930 units (the "Units") at a price of CA\$0.10 per Unit for total proceeds of CA\$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 CA\$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 CA\$0.03 per warrant by applying the Black-Scholes option pricing model, using an expected time-period of 2 years, a weighted average risk-free interest rate of 0.9%, a weighted average volatility rate of 88% and a 0% dividend factor. An amount of \$2,853,764 was allocated to the share purchase warrants and presented as part of contributed surplus. Share issue expenses related to this private placement amounted to \$159,751, including finders' fees of \$82,600.

Share purchase warrants

The following table reflects the number of issued and outstanding share purchase warrants at March 31, 2023:

Issue date	Number of Share Purchase Warrants	Price per share	Price per share	Expiry date
		C\$	\$	
August 27, 2021	126,464,965	0.18	0.14	Aug 27, 2023
September 9, 2021	5,250,000	0.18	0.14	Sep 9, 2023
	131,714,965	0.18	0.18	

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine-month periods ended March 31, 2023 (unaudited - in US dollars)

8. STOCK OPTIONS

At March 31, 2023, and June 30, 2022, the Company had 23,300,000 issued and outstanding stock options.

The following table set out he activity in share options as at March 31, 2023:

	Nine-month periods ended March 31,		Year ended June 30,	
	2023		2022	
	Number	Average exercise price (C\$)	Number	Average exercise price (C\$)
Options, beginning of year	17,525,000	0.13	7,525,000	0.12
Granted	13,300,000	0.10	10,000,000	0.14
Expired	(7,525,000)	0.12	-	-
Options, end of year	23,300,000	0.12	17,525,000	0.13

The following table reflects the stock options issued and outstanding as at March 31, 2023:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
December 16, 2021	3,500,000	0.11	3.7	3,500,000	0.11
February 24, 2022	6,500,000	0.15	3.9	4,333,333	0.15
July 25, 2022	13,300,000	0.10	6.3	4,433,333	0.10
	23,300,000	0.12	5.3	12,266,667	0.12

9. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following combined exploration and evaluation expenses for both the Copperwood and White Pine North Projects:

	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Labour	505,260	245,831	1,317,331	315,262
Studies	962,807	580,177	1,642,508	884,646
Office, overhead and other administrative costs	147,881	110,460	441,030	275,521
	1,615,948	936,468	3,400,869	1,475,429

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine-month periods ended March 31, 2023 (unaudited - in US dollars)

10. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three-month periods ended March 31,		Nine-month periods ended March 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Administrative and general	177,704	272,133	623,661	981,994
Office	52,354	28,665	132,475	87,498
Professional fees	143,622	125,291	425,272	366,375
Investor relations and travel	73,482	40,003	238,717	59,302
Reporting issuer costs	-	29,608	-	45,751
	447,162	495,699	1,420,125	1,540,920

11. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties in Michigan, USA. Assets are located as follows:

	March 31, 2023		
	Canada	USA	Total
	\$	\$	\$
Current assets	7,929,419	934,061	8,863,480
Environmental bond	-	613,633	613,633
Capital assets	2,539	40,129	42,668
Exploration and evaluation assets	-	23,122,284	23,122,284
Total assets	7,931,958	24,710,107	32,642,065

	June 30, 2022		
	Canada	USA	Total
	\$	\$	\$
Current assets	10,494,771	2,557,009	13,051,780
Environmental bond	-	1,676,149	1,676,149
Capital assets	3,941	25,731	29,672
Exploration and evaluation assets	-	22,856,259	22,856,259
Total assets	10,498,712	27,115,148	37,613,860

Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three and nine-month periods ended March 31, 2023 *(unaudited - in US dollars)*

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash and accounts payable and accrued liabilities is considered as a reasonable approximation of their fair value due to their immediate or short-term maturity.

**HIGHLAND COPPER COMPANY INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
- QUARTERLY HIGHLIGHTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
MARCH 31, 2023**

*The following management's discussion and analysis - quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three-month and nine-month periods ended March 31, 2023 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, 2022 ("**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-month and nine-month periods ended March 31, 2023 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2022 and 2021 (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 April 27, 2023.

DESCRIPTION OF BUSINESS

Highland and its subsidiaries are engaged in the acquisition, exploration, and development of mineral properties. The Company's principal projects 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.

Copperwood and White Pine North each have significant contained copper resources. The two deposits are in sedimentary rock and through a flotation process would produce a clean concentrate that is attractive to various smelters and traders. Previous metallurgical tests have also indicated that the concentrate can be leached to produce copper cathodes at site which would be favourable from an Environmental, Sustainability and Governance ("**ESG**") perspective.

Copperwood has a Feasibility Study dated effective June 14, 2018 (posted to SEDAR on July 31, 2018). Copperwood is expected to produce approximately 30,000 tonnes of copper per year for 11 years, with potential upside from the Inferred tonnage. Importantly, Copperwood has received all required State of Michigan permits required for development and operations. On March 6, 2023, Highland issued a news release detailing the updated Feasibility Study results for Copperwood demonstrating, in the opinion of management, robust economics). The Feasibility Study was subsequently issued on April 20, 2023 (effective date March 6, 2023). Importantly, an alternative process water solution incorporated in the Feasibility Study Update eliminated the need for the Section 10 Water Intake permit. Copperwood is now fully permitted and Highland looks forward to advancing to a construction decision.

White Pine North has a Preliminary Economic Assessment (“**PEA**”) dated effective September 22, 2019 (posted to SEDAR on November 7, 2019). White Pine North is expected to produce approximately 45,000 tonnes of copper per year for more than 20 years. Infill drilling is currently underway and has the goal of upgrading a portion of the Inferred resources into the Measured and Indicated category. This would potentially increase the usable resource base and mine life for future Feasibility Studies. As a past producer, White Pine North has certain State of Michigan permits already in place. The permitting process for the balance of the required state permits is underway.

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, 2023, 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.

1. Measured category is 27.3 million tonnes at 1.68% copper grade. Indicated category is 155.4 million tonnes at 1.11% copper grade.

HIGHLIGHTS DURING THE THREE-MONTH PERIOD ENDED MARCH 31, 2023

Copperwood Project

On March 6, 2023, Highland announced the results of an updated Feasibility Study with the following key operating and financial highlights:

- After-tax internal rate of return (“**IRR**”) of 17.6%. Initial capital expenditures of \$391 million, net of pre-production revenue of \$34 million.
- Life-of-mine (“**LOM**”) operating costs of \$1.83/lb, and \$1.55/lb (including royalties) in the first five years of production.
- Proven and Probable Reserves of 25.7 million tonnes (“**M t**”) @ 1.45% Cu and 3.91 g/t Ag, containing 820 million pounds (“**M lb**”) of copper and 3.2 million ounces of silver.
- Additional Mineral Resources of 79.1 Mt @ 1.09 % Cu and 3.6 g/t Ag in the Inferred category, containing 1.9 billion pounds (“**B lb**”) of copper and 9.0 million ounces (“**M oz**”) of silver using a 0.9% Cu cut-off.
- Average annual LOM payable copper production of 64.6 M lb and 106,966 ounces of silver.
- Net Present Value (8% Discount Rate) of \$222 million before taxes and \$168 million after taxes.

The Feasibility Study update was completed by, and under the supervision of, G Mining Services Inc. (“**GMSI**”) in collaboration with Foth Infrastructure and Environment. The study provides a comprehensive overview of the Copperwood Project and defines an economically feasible, technically and environmentally sound project.

Other key highlights related to the Feasibility Study include:

- **Copperwood provides significant leverage to copper price.** The updated Copperwood Feasibility Study, done in the high-cost environment of 2022, still has a 17.6% IRR at a copper price of \$4.02 per pound. The average yearly production of approximately 30,000 tonnes of copper provides good exposure to copper price increases.
- **The Copperwood Project is now fully permitted.** The Copperwood Project holds all key Michigan State permits required to proceed with site construction and operation. The detailed design for stream and wetland mitigation work as per permit conditions has been completed. Importantly, an alternative process water solution incorporated in the Feasibility Study Update eliminates the need for the Section 10 Water Intake permit.
- **Measured & Indicated tonnes increased by 10% and Inferred tonnes increased by 54%.** With updated metal price assumptions and a modified reporting cut-off, a significant increase in resource tonnes has been reflected in the 2023 mineral resource estimate relative to the 2018 mineral resource (Copperwood Feasibility Study dated effective June 14, 2018, posted to SEDAR on July 31, 2018).
- **Considerable opportunities remain to improve the project's economic return.** The applicability of ore sorting to remove waste and low-grade material has been tested with positive results. The potential economic impact will be assessed and incorporated in the detailed engineering phase or in subsequent studies. Additional metallurgical test work will also be performed to determine the potential to reduce reagent consumption.
- **Early works and site preparation are planned at Copperwood for 2023.** Some site preparation work will need to be completed to meet permit obligations. Advancing towards site readiness and starting the initial phase of detailed engineering will help support a construction decision. A portion of these expenditures will net against the initial capital estimate.

With permitting and Feasibility Study complete, the following key steps will be taken to facilitate a construction decision at Copperwood:

- **Early Site Works:** certain early site work must be completed to meet permit obligations under the Wetlands and Streams Permit. The Project will complete permitted impacts, which include site clearing and grubbing, during the summer of 2023.
- **Environmental Mitigation:** work will begin on environmental mitigation commitments under the Wetland and Streams Permit which must be completed within one year of on-site impact. The impact and mitigation costs are included in the Feasibility Study.
- **Detailed Engineering:** detailed engineering will be initiated, particularly for long-lead items and any aspects of the project being included in early site works.

- **Construction Finance Plan:** capital markets will continue to be assessed and Highland will develop a broad financing plan for the construction of the Copperwood Project.

White Pine North Project

On March 7, 2023, Highland released the following news regarding its asset development strategy:

- **Highland will pursue a sequenced asset development strategy.** As announced on March 6, 2023, Highland intends to prioritize speed to production and cash flow by developing the fully permitted Copperwood project first. The development of the White Pine North project, just 60 kilometers away, is expected to start soon after construction completion at Copperwood with the goal of incorporating key synergies in various cost areas.
- **At White Pine North, permitting and an updated PEA are advancing.** Highland has engaged with the Michigan permitting authority on developing a timeline for the completion of the baseline studies to file for the missing permits at the White Pine North project. The Company also expects to issue an updated PEA by June 2023, after which, subject to the results, the Company expects to proceed with a Feasibility Study. As Copperwood reaches the production stage, it is the goal that the Feasibility Study will be completed, and the permits will be received to allow for a construction decision on White Pine North.
- **Infill drilling continues at White Pine North.** The objectives of the drilling program are the conversion of a portion of the inferred resources into the Measured and Indicated category while accumulating more material for the metallurgical tests needed to support future feasibility studies and further de-risk the project.

White Pine North remains critical to the overall value proposition of Highland Copper. The goal will be to sequence development and reach the production stage as quickly as possible after Copperwood. The following key steps will be taken to progress White Pine North:

- **Update PEA:** The Company will continue preparing an updated White Pine North PEA, expected to be issued in June 2023. Assuming the economic results of the PEA warrant it, the project is expected to advance to a Feasibility Study.
- **Advance Permitting:** Highland is already engaged with the Michigan Department of Environment, Great Lakes and Energy (EGLE), Michigan's permitting authority, on a timeline to permit White Pine North and believe that the company has a viable path to permits in the relatively near-term.
- **Infill Drill Program:** As announced earlier this year, Highland has initiated an infill drilling program with the goal of upgrading a portion of the Inferred resources into the Measured and Indicated category. If successful, this will increase the usable resource base and mine life in the planned Feasibility Study.

Corporate activities

- Highland continues to interface with the State of Michigan on permitting for the White Pine North projects, as well as potential funding for its two projects.
- As at March 31, 2023, the Company is debt free and has working capital (current assets less current liabilities) of \$7.8 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 three-month and the nine-month periods ended March 31, 2023 respectively include a lease payment of \$266,025 related to the Copperwood Project. Refer to note 5 to the condensed interim consolidated financial statement for a breakdown of the exploration and evaluation assets by project.

Exploration and evaluation expenses charged to earnings during the three months ended March 31, 2023 and 2022 are as follows:

	Copperwood	White Pine	Other	Three months ended Mar 31, 2023	Three months ended Mar 31, 2022
	Project	Project	expenses	Total	Total
	\$	\$	\$	\$	\$
Labour	311,375	193,885	-	505,260	245,831
Studies and consultants	-	962,807	-	962,807	580,177
Office, overhead and other administrative costs	21,860	134,564	(8,543)	147,881	110,460
	333,235	1,291,256	(8,543)	1,615,948	936,468

	Copperwood	White Pine	Other	Nine months ended Mar 31, 2023	Nine months ended Mar 31, 2022
	Project	Project	expenses	Total	Total
	\$	\$	\$	\$	\$
Labour	859,708	457,623	-	1,317,331	315,262
Studies and consultants	-	1,642,508	-	1,642,508	884,646
Office, overhead and other administrative costs	73,011	359,072	8,947	441,030	275,521
	932,719	2,459,203	8,947	3,400,869	1,475,429

OPERATING ACTIVITIES

During the three months ended March 31, 2023, the Company realized net loss of \$2,130,146 (nil per share) compared to a net loss of \$1,755,228 (nil per share) during the comparative period in 2022. The Company has not yet generated any revenues from its principal projects. Significant expenses incurred during the period included exploration and evaluation expenses of \$1,615,948 as detailed above (\$936,468 in 2022), a significant increase explained by the increased activity in 2023 on drilling at White Pine North and technical study costs at both assets, as well as management and administration expenses of \$447,162 (\$495,699 in 2022). Management and administration expenses during the three months ended March 31, 2023 and 2022 included wages and fees to consultants of \$177,704 and \$272,133, respectively. The decrease from one period to another is mainly due to having more wages

and fees allocated to the projects during the year 2023, in comparison to the previous comparative year, where management and administration fees remained at the corporate level.

During the nine months ended March 31, 2023, the Company realized net loss of \$5,036,999 (nil per share) compared to a net loss of \$869,537 (nil per share) during the comparative period in 2022. The Company has not yet generated any revenues from its principal projects. Significant expenses incurred during the period included exploration and evaluation expenses of \$3,400,869 as detailed above (\$1,475,429 in 2022), management and administration expenses of \$1,420,125 (\$1,540,916 in 2022). Management and administration expenses during the nine months ended March 31, 2023 and 2022 included wages and fees to consultants of \$623,661 and \$981,993, respectively. The decrease is mainly due to having more wages and fees allocated to the projects during the year 2023, in comparison to the previous comparative year, as well as additional fees to former senior key management, being the former Chairman and CFO in 2022. In other terms, the management and administration fees at the corporate level were higher in 2022, due to less work done at the time on projects and the exit-bonuses paid.

LIQUIDITIES AND CAPITAL RESOURCES

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 \$71,063,814 at March 31, 2023 (a deficit of \$66,026,815 at June 30, 2022). At March 31, 2023, the Company has working capital (total current assets less total current liabilities) of \$7,780,656 (\$11,793,950 at June 30, 2022). The Company has relied upon external financings, primarily through the issuance of equity, as well as proceeds from the disposal of exploration and evaluation assets, to fund its operations in the past. Since the Company does not generate revenues, the Company will need to obtain additional funds through the issuance of shares, the exercise of warrants and share options or from other sources to pursue its operations and meet its obligations related to the development of the Copperwood and White Pine North projects beyond the current fiscal year. Despite the fact that it has been able to raise funds in the past, there is no guarantee of success for the future. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements. 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.

At March 31, 2023, financial liabilities of \$1,082,824 consisted of accounts payable and accrued liabilities due within the next three months. See 'Corporate Activities' above for additional information on funding of the Company's principal projects.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of the Company's financial results for the past eight quarters:

Period ended	Revenues	Net income (loss)	Basic and diluted earnings (loss) per share
	\$	\$	\$
March 31, 2023 (a)	-	(2,130,146)	(0.00)
December 31, 2022 (b)	-	(1,906,472)	(0.00)
September 30, 2022 (c)	-	(1,000,382)	(0.00)
June 30, 2022 (d)	-	(1,185,937)	(0.00)
March 31, 2022 (e)	-	(1,755,228)	(0.00)
December 31, 2021 (f)	-	(884,001)	(0.00)
September 30, 2021 (g)	-	1,768,728	0.00
June 30, 2021 (h)	-	20,160,998	0.01

a. Includes exploration expenses of \$1,615,948

b. Includes exploration expenses of \$1,167,075

c. Includes exploration expenses of \$617,846

d. Includes exploration expenses of \$521,732

e. Includes exploration expenses of \$936,468

f. Includes exploration expenses of \$335,021

g. Includes exploration expenses of \$204,908, including a gain on disposal of exploration and evaluation assets related to the Copperwood and White Pine North projects of \$2,996,550 and finance expenses of \$375,517.

h. Includes the reversal of a previous write-down of exploration and evaluation assets related to the UPX Property in the amount of \$18,010,077.

CAPITAL MANAGEMENT

The Company defines capital that it manages as loans (including credit facility, note payable and promissory note) and shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right mineral projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. As at March 31, 2023, managed capital was \$29,427,014 (\$34,258,605 at June 30, 2022). There were no changes in the Company's approach to capital management during the year ended June 30, 2022 or for the nine-month period ended March 31, 2023. The Company is not subject to any externally imposed capital requirements as at March 31, 2023.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2022, the Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

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, 2023, totaled \$175,959 and \$525,500, respectively (\$209,067 and \$615,312 during the comparative periods in 2022).

BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in the Company's consolidated financial statements are consistent with those of the previous year. The significant accounting policies of Highland are presented in Note 3 to the consolidated financial for the year ended June 30, 2022 and 2021 as filed on SEDAR..

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. These estimates, judgments and assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from the assumptions made, include title to mineral property interests, exploration and evaluation assets, fair value of liabilities, going concern and environmental liabilities. Details of the significant accounting judgments and estimates are presented in Note 3 to the consolidated financial for the year ended June 30, 2022 and 2021 as filed on SEDAR...

FINANCIAL RISK FACTORS

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, credit risk, interest rate risk and currency risk. Where material, these risks are reviewed by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no history of earnings and has limited financial resources. The Company's ability to continue as a going concern is dependent on management's ability to raise the funds required for its continued operations. Details of the significant liability, it being the asset retirement obligation, is presented in Note 6 to the three and nine-month periods ended March 31, 2023 and 2022 condensed interim consolidated financial statements filed on SEDAR.

The following table summarizes the contractual maturities of the Company's financial liabilities at March 31, 2023:

	Carrying amount	Contractual amount	Within 1 year	2 years	Over 2 years
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,082,824	1,082,824	1,082,824	-	-
	1,082,824	1,082,824	1,082,824	-	-

Credit risk

Credit risk is the risk that the Company will incur losses due to the non-payment of contractual obligations by third parties. The Company is exposed to credit risk with respect to cash which is mainly held in accounts with a major Canadian-based chartered bank. The Company also has an environmental bond in the amount of \$XXXX at March 31, 2023. Additional details related to the environmental bond is presented in Note 4 to the three and nine-month periods ended March 31, 2023 and 2022 condensed interim consolidated financial statements filed on SEDAR

Interest Rate Risk

The Company's interest rate risk relates to cash and the promissory note. As at March 31, 2023, the Company has no loans to be paid.

Currency Risk

In the normal course of operations, the Company is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of each of the entities within the consolidated group. The currency in which these transactions are denominated are primarily the Canadian and the US dollars. The consolidated entity does not presently enter into hedging arrangements to hedge its currency risk. The Board of Directors considers this policy appropriate, taking into account the consolidated entity's size, current stage of operations, financial position and the Board's approach to risk management.

At March 31, 2023, financial assets and liabilities denominated in a foreign currency consisted of cash of \$802,086, including accounts payable and accrued liabilities of \$104,983. The impact on profit or loss of a 10% increase or decrease in the US dollar against the Canadian dollar would be approximately \$100,000.

OUTSTANDING SHARE DATA

As at	April 26, 2023
Common shares outstanding	736,363,619
Share purchase warrants outstanding	131,714,965
Stock options outstanding	23,300,000
Stock options exercisable	12,266,667

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 detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. 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 the completion of a financing to fund the Company’s plans and objectives; and statements with respect to the Copperwood project and the White Pine project, including the estimation of mineral resources and mineral reserves, the timing and cost of the construction of the mine, the Company’s ability to obtain, amend or renew all necessary licenses and permits that may be required to carry out exploration and development of its projects (including but not limited to the completion of all applicable site impacts as well as the applicable portions of site mitigation, as may be required), the renewal of the air permit at the Copperwood project, the acquisition of the dam safety permit to construct at the Copperwood project, the amendment of the mining permit to mine at the Copperwood project, the completion of applicable environmental surveys, declining metal prices, development or construction schedule delays, faults creating offsets in the mineralization, power line connection to grid, local housing and community infrastructure, the timing and amount of estimated future production, costs of production and capital expenditures; and the Company’s business 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: (i) uncertainties about the future market price of copper and the other metals; (ii) uncertainties resulting from the war in Ukraine, and the accompanying international response including economic sanctions levied against Russia, which has extremely disrupted the global economy, creating increased volatility in commodity markets, (including oil and gas prices), international trade and financial markets, all of which have an ongoing and uncertain effect on global economics, supply chains, availability of materials and equipment and execution timelines for project development; (iii) uncertainties about the effect of the novel coronavirus (“**COVID-19**”) and the response of local, provincial, state, federal and international governments to the ongoing threat of COVID-19, on our operations (including our suppliers, customers, supply chains, employees and contractors) and economic conditions generally including rising inflation levels and in particular with respect to the demand for copper and other metals; (iv) exploration, development and production risks; (v) inherent risks associated with mining operations; (vi) risks related to the potential development of the Copperwood project and the White Pine project; (vii) uncertainties as to our ability to control our operating costs, including inflationary cost; (viii) the accuracy of mineral resource and mineral reserve estimates; (ix) interpretations and assumptions of mineral resource and mineral reserve estimates; (x) future

profits/losses and production/revenue expenses; (xi) the Company's ability to raise capital; (xii) challenges to title to the Company's mineral properties; (xiii) risks related to foreign operations; (xiv) risks related to litigation; (xv) risks related to our expansion and development plans; (xvi) enforcement of civil liabilities; (xvii) environmental risks; (xviii) dilution; (xix) compliance with governmental regulations; (xx) regulatory requirements; (xxi) reliance on key management and operating personnel; (xxii) reliance on approvals and permits from governmental authorities; (xxiii) availability of equipment and access restrictions; (xxiv) conflict of interest management; (xxv) competition in the mining industry; (xxvi) risks related to obtaining and maintaining insurance; (xxvii) the market price of the Company's shares; (xxviii) global financial conditions; (xxix) currency, credit, interest rate and liquidity risks; (xxx) risks related to any failure or breach of our information technology systems; (xxxi) risks related to climate change; (xxxii) maintaining social license to operate; (xxxiii) plans to raise additional funds to achieve the Company's objectives; and (xxxiv) 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 management's discussion and analysis, all of which are filed and available for review under the Company's profile on SEDAR at 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) and on the Company's website (www.highlandcopper.com).

Technical Disclosure

The scientific and technical information on the Company's mineral properties provided in this MD&A has been reviewed and approved by Denis Miville-Deschenes, CEO of Highland.