



Condensed Interim Consolidated Financial Statements

**For the three and six months ended
December 31, 2023**

**In US dollars
(Unaudited)**

HIGHLAND COPPER COMPANY INC.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Highland Copper Company Inc.
Condensed Interim Consolidated Statements of Financial Position

| <i>(Unaudited, in US dollars)</i> | December 31, 2023 | June 30, 2023 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 23,214,485 | \$ 7,030,317 |
| Amounts receivable | 134,677 | 66,870 |
| Prepaid expenses and deposits | 182,234 | 71,655 |
| | 23,531,396 | 7,168,842 |
| Non current assets | | |
| Environmental bond (Note 4a) | 2,267,680 | 613,633 |
| Investment in associates (Note 4b) | 15,552,471 | - |
| Capital assets | - | 20,037 |
| Exploration and evaluation assets (Note 4) | 19,325,070 | 24,113,990 |
| Total assets | \$ 60,676,617 | \$ 31,916,502 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 1,724,605 | \$ 1,997,597 |
| | 1,724,605 | 1,997,597 |
| Non current liabilities | | |
| Loans and borrowings (Note 5) | 199,971 | - |
| Asset retirement obligation (Note 6) | 1,128,961 | 1,939,141 |
| Total liabilities | \$ 3,053,537 | \$ 3,936,738 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 7) | \$ 83,948,586 | \$ 83,948,586 |
| Contributed surplus | 16,524,563 | 16,058,937 |
| Deficit | (43,367,080) | (72,830,802) |
| Cumulative translation adjustment | 517,011 | 803,043 |
| Total equity | \$ 57,623,080 | \$ 27,979,764 |
| Total liabilities and equity | \$ 60,676,617 | \$ 31,916,502 |

Going concern (Note 2)

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

Approved on behalf of the Board of Directors:

/s/ Barry O'Shea

Barry O'Shea, Interim CEO

/s/ Caroline Donally

Caroline Donally, Director

Highland Copper Company Inc.

Condensed Interim Consolidated Statements of Income (loss) and Comprehensive Income (loss)

| <i>(Unaudited, in US dollars)</i> | Three months ended | | Six months ended | |
|--|-----------------------|-----------------------|---------------------|-----------------------|
| | December 31, | | December 31, | |
| | 2023 | 2022 | 2023 | 2022 |
| Expenses and other items | | | | |
| Exploration and evaluation (Note 9) | \$ 3,211,949 | \$ 1,167,075 | \$ 7,957,783 | \$ 1,784,921 |
| Management and administration (Note 10) | 1,199,238 | 535,969 | 1,975,743 | 972,963 |
| Depreciation and amortization | 648 | 2,995 | 1,288 | 5,632 |
| Share-based compensation | 369,469 | 175,790 | 465,626 | 551,548 |
| Gain on sale of controlling interest in White Pine (Note 4b) | - | - | (39,521,720) | - |
| Accretion on environmental liability | - | 1,602 | - | 3,202 |
| Share of loss in associates (Note 4b) | 188,474 | - | 271,499 | - |
| Finance income | (212,555) | (57,145) | (286,353) | (81,140) |
| Loss (gain) on foreign exchange | 116,012 | 80,188 | (327,588) | (330,272) |
| Net income (loss) for the period | (4,873,235) | (1,906,474) | 29,463,722 | (2,906,854) |
| Other comprehensive income (loss) | | | | |
| Item that may be subsequently reclassified to income | | | | |
| Foreign currency translation adjustment | 39,582 | 103,065 | (286,032) | (480,702) |
| Comprehensive income (loss) for the period | \$ (4,833,653) | \$ (1,803,409) | \$29,177,690 | \$ (3,387,556) |
| Basic and diluted income (loss) per share | \$ (0.01) | \$ (0.00) | \$ 0.04 | \$ (0.00) |
| Weighted average number of common shares | | | | |
| basic and diluted | 736,363,619 | 736,636,619 | 736,363,619 | 736,636,619 |

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

Highland Copper Company Inc.
Condensed Interim Consolidated Statements of Cash Flows

| | Six months ended | |
|---|----------------------|---------------------|
| | December 31, | |
| <i>(Unaudited, in US dollars)</i> | 2023 | 2022 |
| Operating activities | | |
| Net income (loss) for the period | \$ 29,463,722 | \$ (2,906,854) |
| Adjustments | | |
| Share-based compensation | 465,626 | 551,548 |
| Depreciation and amortization | 1,288 | 5,632 |
| Gain on sale of controlling interest in White Pine Copper LLC | (39,521,720) | - |
| Share of loss in associates | 271,499 | - |
| Accretion on environmental liability | - | 3,202 |
| Interest expense | 546 | - |
| Unrealized loss (gain) on foreign exchange | (327,588) | (330,272) |
| Changes in working capital items | | |
| Sales taxes receivable | (67,807) | (14,058) |
| Prepaid expenses and other | (110,579) | (11,858) |
| Accounts payable and accrued liabilities | (272,992) | 200,377 |
| | (10,098,005) | (2,502,283) |
| Investing activities | | |
| Environmental bond (Note 4) | (1,654,047) | (613,633) |
| Additions to capital assets | - | (21,318) |
| Proceeds from sale of controlling interest in White Pine Copper LLC | 28,190,688 | - |
| Additions to exploration and evaluation assets | (126,025) | (126,025) |
| Investment in associate | (170,000) | - |
| | 26,240,616 | (760,976) |
| Effect of exchange rate changes on cash held in foreign currency | 41,557 | (132,115) |
| Net change in cash and cash equivalents | 16,184,168 | (3,395,374) |
| Cash and cash equivalents, beginning of the period | 7,030,317 | 12,929,815 |
| Cash and cash equivalents, end of the period | \$ 23,214,485 | \$ 9,534,441 |

Supplemental cash flow information (Note 12)

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 shares | Share Capital | Contributed Surplus | Deficit | Cumulative translation adjustment | Total shareholders' equity |
|---|--|----------------------|------------------------|------------------------|---|----------------------------------|
| Balance at June 30, 2023 | 736,363,619 | \$ 83,948,586 | \$ 16,058,937 | \$ (72,830,802) | \$ 803,043 | \$ 27,979,764 |
| Net income for the period | - | - | - | 29,463,722 | - | 29,463,722 |
| Share-based compensation | - | - | 465,626 | - | - | 465,626 |
| Foreign currency translation adjustment | - | - | - | - | (286,032) | (286,032) |
| Balance at December 31, 2023 | 736,363,619 | \$ 83,948,586 | \$ 16,524,563 | \$ (43,367,080) | \$ 517,011 | \$ 57,623,080 |
| Balance at June 30, 2022 | 736,363,619 | \$ 83,948,586 | \$ 15,220,385 | \$ (66,026,815) | \$ 1,116,449 | \$ 34,258,605 |
| Net loss for the period | - | - | - | (2,906,854) | - | (2,906,854) |
| Share-based compensation | - | - | 551,548 | - | - | 551,548 |
| Foreign currency translation adjustment | - | - | - | - | (480,702) | (480,702) |
| Balance at December 31, 2022 | 736,363,619 | \$ 83,948,586 | \$ 15,771,933 | \$ (68,933,669) | \$ 635,747 | \$ 31,422,597 |

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

Highland Copper Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended December 31, 2023 and 2022
(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 Michigan, USA. The address of the Company’s registered office is 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7. Highland’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol “HI” and on the OTCQB Venture Marketplace under the symbol “HDRSF”.

The Company’s principal assets, located in Michigan’s Upper Peninsula region, include the 100%-owned Copperwood copper project (the “Copperwood Project”) and the 34%-owned 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 February 13, 2024.

2. GOING CONCERN

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis, 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, 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 \$43,367,080 at December 31, 2023 (\$72,830,802 at June 30, 2023). At December 31, 2023, the Company has working capital of \$21,806,791 (\$5,171,245 at June 30, 2023). The Company has relied upon external financings, primarily through the issuance of equity, as well as proceeds from the disposal of exploration and evaluation assets, to fund its operations in the past. Since the Company does not generate revenues, the Company will need to obtain additional funds through the issuance of shares, the exercise of warrants and share options, or from other sources to pursue its operations and meet its obligations related to the development of the Copperwood and White Pine North projects beyond the current fiscal year. While the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in the future. If management is unable to obtain adequate funding, the Company may be

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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 casts significant doubt about the Company's ability to continue as a going concern. These consolidated interim financial statements do not reflect any adjustments to the carrying values or the classification of assets and liabilities and reported expenses that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

During the quarter ended September 30, 2023, the Company completed a transaction with Kinterra Copper USA LLC ("Kinterra") where the Company sold 66% of the common shares of White Pine LLC, which owns the White Pine North Project, in exchange for \$30 million in cash (the "Kinterra Transaction"). The funds are not restricted and may be allocated to the Copperwood Project where the Company has initiated early site work.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all the information and footnotes required by International Financial Reporting Standards ("IFRS") for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2023, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The accounting policies used in the preparation of these condensed interim consolidated financial statements are the same as those applied in the Company's most recent consolidated annual financial statements for the year ended June 30, 2023. In addition, the Company adopted the following policy for investment in associate to account for its investment in the White Pine North Project.

The Company accounts for its investment in associate using the equity method. Under the equity method, the Company's investment in associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net earnings/losses and other comprehensive earnings/losses of the investee, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the investee's reserves, and for impairment losses after the initial recognition date. The Company's share of earnings or losses of its investee are recognized in the Company's Statement of Income/Loss and Comprehensive Income/Loss during the period. The investment in associate is evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable.

The comparative information includes the consolidation of the White Pine North Project, while in current period, the investment in the White Pine North Project is accounted for using the equity method after completion of the Kinterra Transaction.

Highland Copper Company Inc.

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(Unaudited - in US dollars)

b) Critical accounting estimates and judgments

The preparation of the Company's condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The Company has consistently applied the significant accounting judgments, estimates and assumptions set out in the Company's audited consolidated financial statements for the year ended June 30, 2023, to all the periods presented in these condensed interim consolidated financial statements.

Judgement was also applied in the inputs used in accounting for the fair value of share-based payment for stock options granted during the period (Note 8).

4. EXPLORATION AND EVALUATION ASSETS

| | Copperwood Project | White Pine Project | Total |
|--|-----------------------|-----------------------|----------------------|
| Balance at June 30, 2023 | \$ 18,070,084 | \$ 6,043,906 | \$ 24,113,990 |
| Additions to exploration and evaluation assets | 126,025 | - | 126,025 |
| Addition to asset retirement obligation | 1,128,961 | | 1,128,961 |
| Disposition of controlling interest in White Pine Copper LLC | - | (6,043,906) | (6,043,906) |
| Balance at December 31, 2023 | \$ 19,325,070 | \$ - | \$ 19,325,070 |

a) Environmental Bond

On May 13, 2014, the Company acquired from Copper Range Company (CRC) all rights, title, and interest in the White Pine North Project. On July 27, 2021, in accordance with the acquisition agreement, Highland (i) deposited an agreed amount of \$1,676,149 with the Michigan Department of Environment, Great Lakes, and Energy ("EGLE") associated with the remediation and closure plan of the previous White Pine operation; and (ii) released CRC from its environmental obligations with the Michigan Department of Environmental Quality.

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

During the quarter ended September 30, 2023, the Company secured a surety bond as financial assurance for the Copperwood Project. The Company paid a cash deposit of \$2,267,680, which represents 35% of the financial assurance valued at \$6,479,089.

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

On July 24, 2023, the Company completed a transaction with Kinterra Copper USA LLC in which the Company sold 66% of the common shares of White Pine LLC, which owns the White Pine North Project, in exchange for \$30 million in cash.

Effective July 24, 2023, the Company held an interest of 34% (compared to 100% as at June 30, 2023) in White Pine Copper LLC and management determined that the Company was no longer in a position of control over White Pine Copper LLC. Management determined it was able to exert significant influence on White Pine Copper LLC and accordingly, the Company deconsolidated White Pine Copper LLC on July 24, 2023, and started accounting for its investment in White Pine Copper LLC using the equity method. The Company hence derecognized the assets and liabilities of the White Pine North from its consolidated statement of financial position, recorded its interest at fair value as an investment in associate for \$15,552,471 and recognized a net non-cash gain on deconsolidation of \$42,247,718.

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

| | |
|-----------------------------------|---------------------|
| Non-current assets | |
| Capital assets | \$ 18,748 |
| Exploration and evaluation assets | 6,043,906 |
| Non-current liabilities | |
| Asset retirement obligation | (1,939,141) |
| Total net assets | \$ 4,123,513 |

The following table details the gain on sale:

| | |
|--|----------------------|
| Fair value of consideration received (net) | \$ 28,190,688 |
| Fair value of retained non-controlling investment in White Pine Copper LLC | 15,454,545 |
| Carrying amount of White Pine Copper LLC | (4,123,513) |
| Gain on sale of controlling interest in subsidiary | \$ 39,521,720 |

Investment in associate:

| | Six months ended December 31, 2023 |
|--|---|
| Balance as at June 30, 2023 | \$ - |
| Fair value of retained non-controlling investment in White Pine Copper LLC | 15,454,545 |
| Cash calls | 369,425 |
| Share of loss | (271,499) |
| Balance as at December 31, 2023 | \$ 15,552,471 |

Highland Copper Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements
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5. LOANS AND BORROWINGS

In addition to its \$30 million initial investment, Kinterra has agreed to fund, subject to certain conditions, a further \$30 million in expenditures to advance the White Pine North Project. The commitment consists of \$20 million representing Kinterra's 66% pro rata expenditure, as well as a \$10 million unsecured loan available to the Company to satisfy its pro rata expenditure. The \$10 million unsecured loan (the "Initial Loan") is subject to an interest rate of 10%, compounded annually from the date of each advance, and matures on July 24, 2026. A second unsecured loan (the "Advanced Loan") will become available to the Company after the first \$30 million has been spent on the White Pine North Project, provided that the Company has repaid the Initial Loan upon maturity. The Advanced Loan is subject to an interest rate of 10%, compounded annually from the date of each advance, and matures on the earlier of i) July 24, 2028 and ii) the date of determination by White Pine North Project's management committee to commence detailed engineering.

The balance of the Initial Loan is as follows:

| | Six months ended December 31, 2023 |
|---|---------------------------------------|
| Balance at June 30, 2023 | \$ - |
| Cash call funded by Kinterra on behalf of Highland Copper | 199,425 |
| Accrued interest | 546 |
| Balance at December 31, 2023 | \$ 199,971 |

6. ASSET RETIREMENT OBLIGATION

The asset retirement obligation consists of a provision for reclamation costs related to the Copperwood Project. The undiscounted cash flow amount of the total liability was estimated at \$1,599,474 at December 31, 2023. The present value of the total liability was calculated using a discount rate of 4.18% and is reflecting payments to be made from 2039 to 2040, inclusively, while taking into consideration an inflation of 2.0% over that period.

| | Copperwood Project | White Pine Project | Total |
|--|-----------------------|-----------------------|---------------------|
| Balance at June 30, 2023 | \$ - | \$ 1,939,141 | \$ 1,939,141 |
| Addition to asset retirement obligation | 1,128,961 | - | 1,128,961 |
| Disposition of controlling interest in White Pine Copper LLC | - | (1,939,141) | (1,939,141) |
| Balance at December 31, 2023 | \$ 1,128,961 | \$ - | \$ 1,128,961 |

Highland Copper Company Inc.

Notes to the Condensed Interim Consolidated Financial Statements
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(Unaudited - in US dollars)

7. SHARE CAPITAL

Issued and fully paid

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

Share purchase warrants

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

| Grant date | Number of warrants | | Number of warrants December 31, 2023 | Exercise price per share (C\$) | Exercise price per share (\$) | Expiry Date |
|-------------------|--------------------|----------------------|--------------------------------------|--------------------------------|-------------------------------|-------------------|
| | June 30, 2023 | Expired | | | | |
| August 27, 2021 | 126,464,965 | (126,464,965) | - | 0.18 | 0.14 | August 27, 2023 |
| September 9, 2021 | 5,250,000 | (5,250,000) | - | 0.18 | 0.14 | September 9, 2023 |
| | 131,714,965 | (131,714,965) | - | 0.18 | 0.14 | |

The share purchase warrants expired without being exercised.

8. STOCK OPTIONS

As at December 31, 2023, the Company had 39,550,002 (23,300,000 as at June 30, 2023) issued and outstanding stock options.

The following is a summary of stock option activities for the six months ended December 31, 2023 and 2022:

| | Six months ended December 31, 2023 | | Six months ended December 31, 2022 | |
|-------------------------------|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | Number of stock options | Weighted average exercise price (C\$) | Number of stock options | Weighted average exercise price (C\$) |
| Options, beginning of period | 23,300,000 | 0.12 | 17,525,000 | 0.13 |
| Granted | 16,250,002 | 0.18 | 13,300,000 | 0.10 |
| Expired | - | 0.18 | (7,525,000) | 0.12 |
| Options, end of period | 39,550,002 | 0.10 | 23,300,000 | 0.12 |

Highland Copper Company Inc.

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(Unaudited - in US dollars)

Stock options issued and outstanding as at December 31, 2023 are as follows:

| Grant date | Number of stock options | Weighted average exercise price (C\$) | Remaining contractual life (years) | Number of exercisable options | Weighted average exercise price of exercisable options (C\$) |
|-------------------|-------------------------|---------------------------------------|------------------------------------|-------------------------------|--|
| December 16, 2021 | 3,500,000 | 0.11 | 2.0 | 3,500,000 | 0.11 |
| February 24, 2022 | 6,500,000 | 0.15 | 2.2 | 5,666,666 | 0.15 |
| July 25, 2022 | 13,300,000 | 0.10 | 4.6 | 9,800,000 | 0.10 |
| October 13, 2023 | 16,250,002 | 0.07 | 5.8 | 5,416,669 | 0.07 |
| | 39,550,002 | 0.10 | 4.4 | 24,383,335 | 0.10 |

The fair value of the options granted during the quarter was estimated at CA\$0.06 per option by applying the Black-Scholes option pricing model, using an expected life of 7 years, a risk-free interest rate of 3.78%, a volatility rate of 88.71% and a 0% dividend factor.

9. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses during the three and six months ended December 31 2023:

| | Three months ended December 31, | | Six months ended December 31, | |
|---|------------------------------------|---------------------|----------------------------------|---------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Labour | \$ 589,589 | \$ 373,866 | \$ 1,058,951 | \$ 812,073 |
| Excavation and site works | 2,504,916 | - | 6,626,151 | - |
| Studies | - | 625,342 | - | 679,701 |
| Office, overhead and other administrative costs | 117,444 | 167,867 | 272,681 | 293,147 |
| | \$ 3,211,949 | \$ 1,167,075 | \$ 7,957,783 | \$ 1,784,921 |

10. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses during the three and six months ended December 31, 2023:

| | Three months ended December 31, | | Six months ended December 31, | |
|-------------------------------|------------------------------------|-------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Administrative and general | \$ 967,439 | \$ 263,208 | \$ 1,175,865 | \$ 445,957 |
| Office | 35,215 | 19,742 | 83,490 | 80,120 |
| Professional fees | 145,783 | 161,591 | 517,898 | 281,651 |
| Investor relations and travel | 50,801 | 91,428 | 198,490 | 165,235 |
| | \$ 1,199,238 | \$ 535,969 | \$ 1,975,743 | \$ 972,963 |

Highland Copper Company Inc.

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(Unaudited - in US dollars)

11. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of the Company, including directors and officers. For the three and six months ended December 31, 2023 and 2022, key management compensation comprises:

| | Three months ended December 31, | | Six months ended December 31, | |
|---|------------------------------------|------------|----------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Salaries, bonuses, and termination payments | \$ 885,867 | \$ 215,893 | \$ 1,068,544 | \$ 388,640 |
| Share-based compensation | 369,469 | 175,790 | 465,626 | 551,548 |
| | \$ 1,255,336 | \$ 391,683 | \$ 1,534,170 | \$ 940,188 |

12. SUPPLEMENTAL CASH FLOW INFORMATION

The non-cash financing activities not already disclosed in the consolidated statements of cash flows were as follows:

| | Six months ended December 31, | |
|--|----------------------------------|------|
| | 2023 | 2022 |
| Financing activities | | |
| Loans and borrowings from Kinterra to fund White Pine cash calls | \$ 199,425 | \$ - |

Highland Copper Company Inc.

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(Unaudited - in US dollars)

13. 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:

| As at December 31, 2023 | Canada | USA | Total |
|-----------------------------------|---------------------|----------------------|----------------------|
| Current assets | \$ 2,776,539 | \$ 20,754,857 | \$ 23,531,396 |
| Environmental bond | - | 2,267,680 | 2,267,680 |
| Investment in associate | - | 15,552,471 | 15,552,471 |
| Capital assets | | - | - |
| Exploration and evaluation assets | | 19,325,070 | 19,325,070 |
| Total assets | \$ 2,776,539 | \$ 57,900,078 | \$ 60,676,617 |

| As at June 30, 2023 | Canada | USA | Total |
|-----------------------------------|---------------------|----------------------|----------------------|
| Current assets | 6,946,673 | 222,169 | 7,168,842 |
| Environmental bond | - | 613,633 | 613,633 |
| Investment in associate | - | - | - |
| Capital assets | | 20,037 | 20,037 |
| Exploration and evaluation assets | | 24,113,990 | 24,113,990 |
| Total assets | \$ 6,946,673 | \$ 24,969,829 | \$ 31,916,502 |



Management's Discussion and Analysis

**For the three and six months ended
December 31, 2023**

In US dollars

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and six months ended December 31, 2023

This management discussion and analysis ("MD&A") of financial position and results of operations of Highland Copper Company Inc. ("Highland" or the "Company") is prepared as of February 13, 2024 and should be read in conjunction with the Company's condensed consolidated interim financial statements for the three and six months ended December 31, 2023, the audited consolidated financial statements for the year ended June 30, 2023 and the MD&A for the year ended June 30, 2023, including the section describing risks and uncertainties.

The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in US dollars unless otherwise indicated. Additional information relevant to the Company's activities can be found on SEDAR+ at www.sedarplus.ca and on the Company's website, www.highlandcopper.com.

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 (34% interest), an advanced-stage copper project, both located in the Upper Peninsula region (the "U.P.") of the State of Michigan, USA.¹ Copperwood is anticipated to produce approximately 30,000 tonnes of copper per year for 11 years, with potential upside from the inferred tonnage. Copperwood is permitted to develop and operate. White Pine North is a joint venture with Kinterra Copper USA, LLC ("Kinterra"), who is also the operator of the project. White Pine North is anticipated to produce approximately 42,000 tonnes of copper per year for more than 20 years².

Highland is a Canadian-based company, 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 December 31, 2023, the Company has 736,363,619 common shares issued and outstanding. Orion Resource Partners, Condire Investors LLC, and Greenstone Resources II LP hold respectively 27.7%, 16.2% and 15.9% of the Company's issued and outstanding common shares.

HIGHLIGHTS DURING THE THREE MONTHS ENDED DECEMBER 31, 2023

- During the quarter, the Company completed its planned early site works at the Copperwood Project on budget, on time, and without incident. The completed work satisfied the Company's wetland permit obligations and maintained related permits in good standing.

¹ See the NI 43-101 technical report entitled "Feasibility Study Update Copperwood Project Michigan, USA" with an issue date of April 20, 2023, prepared for the Company by G Mining Services Inc. and available under the Company's profile on SEDAR+, for the assumptions, risks and analysis underlying anticipated production at the Copperwood Project (the "Copperwood Project Feasibility Study").

² See the NI 43-101 technical report entitled "Preliminary Economic Assessment White Pine North Project Michigan, USA" with an issue date of September 7, 2023, prepared for the Company by G Mining Services Inc. and available on SEDAR+, for the assumptions, risks and analysis underlying anticipated production at the White Pine North Project.

- On November 29, 2023, the Company announced the results of the Economic Contribution Analysis for the Copperwood Project conducted by Public Sector Consultants (“PSC”) out of Lansing, Michigan. The study demonstrates the potential economic contributions of the Copperwood Project to the local Upper Peninsula communities and State of Michigan through job creation, indirect economic activity, and taxes to support local infrastructure.
- After a yearlong review of the Copperwood Project, subsequent to quarter end, the Michigan Economic Development Corporation (“MEDC”) proposed a \$50 million grant to be funded by the Strategic Site Readiness Program (“SSRP”). The Company will work with the related agencies as we continue to progress through the approval process for this grant.
- The Company’s joint venture partner, Kinterra, has assembled a strong project leadership team to progress the White Pine North Project. Subsequent to quarter end, on January 24, 2024, the Company and its joint venture partner announced the initiation of a drilling program at the White Pine North Project. The winter drilling program intends to obtain material for additional metallurgical and geotechnical test work programs.

PROJECT UPDATES

Copperwood Project

Early Site Work

During the quarter, the Company completed the early site works required under the Wetlands and Streams Permit to the satisfaction of the Michigan Department of Environment, Great Lakes, and Energy (“EGLE”). The completed work maintained all key Michigan State environmental permits required for development and operation of the Copperwood Project in good standing. Moreover, the early site work also allowed Highland to initiate pre-construction activities including site clearing and grubbing focused on wetland and stream areas, the development of stream relocation infrastructure, improvements to existing site roads, and the initiation of key environmental mitigation projects. Particularly, the construction of compensating wetland has been commenced to offset wetland impacts. The site work was performed safely and in line with the Company’s internal budget. Certain environmental mitigation activities will continue over the next one-to-two-year period.

Economic Contribution Analysis

On November 29, 2023, the Company announced the results of the recently completed Economic Contribution Analysis for the Copperwood Project.

The Company retained PSC to perform the analysis, based on expenditure projections from the Copperwood Project Feasibility Study. PSC conducted two analyses using an input-output modelling tool, Impact Analysis for Planning (“IMPLAN”), to model the estimated direct, indirect, and induced economic contributions of the project during the construction phase and separately, the annual economic contribution of the operating mine if Highland proceeds with the development of Copperwood. A construction decision depends on multiple factors including Highland’s ability to attract project financing.

The modelling tool, IMPLAN, traces the transactions among and between different sectors to quantify how an activity in one part of the economy affects another, allowing PSC to analyze the expected

economic contribution of the Copperwood Project to the local economy of the U.P., and also more broadly, its contribution to the economy of the State of Michigan.

Key highlights from the study are summarized below:

Construction:

- Projected to spend approximately \$425 million over the course of the three-year construction phase if project development is initiated.
- The three-year construction is expected to directly support approximately 300 jobs on-site as well as another 159 jobs at vendor partners in Michigan. Most of these jobs are projected to be in the U.P.
- Indirect and induced purchases made by households and businesses driven by the construction spending are expected to support approximately 353 jobs statewide, with many being in the U.P.
- The analysis estimates that the construction of Copperwood will add approximately \$74 million to Michigan's gross state product each year during this three-year phase.
- The investment on the Copperwood construction is expected to generate an average of approximately \$4.5 million in local, county and state tax revenue annually.

Steady-state Operations:

- If the project proceeds to operations, the Copperwood Mine expects to provide employment to approximately 380 individuals at or near the site in Wakefield Township, Michigan.
- It is estimated that operational spending of the mine could support an additional 313 indirect and induced jobs throughout Michigan.
- The analysis indicated that operational expenses are expected to increase spending to Michigan businesses by approximately \$130 million annually.
- Operation spending is expected to generate approximately \$12 million in local, county and state tax revenue annually.

Application for Government Grant

On January 31, 2024, the Company announced that after a yearlong review of the Copperwood Project, the Michigan Economic Development Corporation ("MEDC") has proposed a \$50 million grant to be funded by the Strategic Site Readiness Program ("SSRP").

On January 30, 2024, the MEDC, alongside Highland, had the opportunity to present the Copperwood Project to the Board of the Michigan Strategic Fund ("MSF") for grant consideration. The MSF is the first level of approval, followed by final approval at the Appropriations Committees in both the Michigan House and Senate. In the coming months, the Company will work along side the related agencies to address any further questions regarding Copperwood as we continue to progress through the approval process.

The SSRP program is funded through the Strategic Outreach and Attraction Reserve Fund ("SOAR") and provides economic assistance for the purpose of creating investment-ready sites to attract and promote

investment in the state. The Copperwood Project is strongly aligned with Michigan's focus on mobility and electrification and has the potential to be a key source of U.S. domestic copper to supply the ongoing clean energy transition.

The Copperwood Project team has been present in the Western Upper Peninsula for over a decade, working through the state-led permitting process with the Michigan Department of Environment, Great Lakes, and Energy, and leading to the announcement of the Project's fully permitted status in early 2023. In addition, through ongoing regular and transparent communications with local stakeholders, the Copperwood Project has garnered strong local support. Over 20 local villages, cities, townships, and counties as well as numerous local businesses and organizations submitted resolutions and letters of support that accompanied the Company's application for the State grant. A number of the elected officials were present alongside Highland Copper at the MSF Board meeting that took place on January 30, 2024 to demonstrate support for the Copperwood Project on behalf of their respective government units.

White Pine North Project

On January 24, 2024, the Company announced that White Pine Copper, LLC, its joint venture with Kinterra, has initiated a drilling program at the White Pine North Project in Ontonagon County, Michigan.

The winter drilling program initiated mid-January intends to obtain material for additional metallurgical and geotechnical test work programs. The drilling program, which will run through calendar Q2 2024, focuses on data collection to advance project development. The intent is to complete ten drill holes, three PQ and seven HQ sized, for a total of approximately 6,460 metres. Downhole geotechnical imaging is planned for all drillholes to support mine design engineering. The successful completion of the program will be dependent on weather conditions over the course of the upcoming months.

The initiation of this drilling program demonstrates the joint venture's commitment to advancing the White Pine North Project, while at the same time progressing permitting and engineering studies. The forthcoming testing will contribute to further refining the economic results obtained in the 2023 Preliminary Economic Assessment. White Pine Copper, LLC. has also recently hired a senior environmental representative that will manage environmental compliance requirements, future environmental baseline work, and permitting activities. Operating responsibly in Michigan remains a key focus of Highland.

SCIENTIFIC AND TECHNICAL INFORMATION

The scientific and technical information related to Highland's mineral properties set out in this MD&A has been reviewed and approved by Charline Miville-Deschênes, P.Eng., a qualified person as defined in NI 43-101.

SELECTED QUARTERLY INFORMATION

The following table provides information for the eight fiscal quarters ended December 31, 2023:

| | December 31, 2023 | September 30, 2023 | June 30, 2023 2023 | March 31, 2023 2023 |
|---|----------------------|-----------------------|-----------------------|------------------------|
| Exploration and evaluation expenditures | \$ 3,211,949 | \$ 4,745,834 | \$ 1,272,006 | \$ 2,130,146 |
| Net (income) loss | 4,873,235 | (34,336,957) | 1,984,193 | 1,615,948 |
| Loss per share - basic and diluted | 0.01 | (0.05) | 0.01 | 0.01 |

| | December 31, 2022 | September 30, 2022 | June 30, 2023 2022 | March 31, 2023 2022 |
|---|----------------------|-----------------------|-----------------------|------------------------|
| Exploration and evaluation expenditures | 1,167,075 | 617,846 | 521,732 | 936,468 |
| Net loss | 1,906,474 | 1,000,382 | 1,185,937 | 1,755,228 |
| Loss per share - basic and diluted | 0.00 | 0.00 | 0.00 | 0.00 |

The changes in the Company's financial results on a quarter-by-quarter basis are primarily due to fluctuations in the activity level of the Company's exploration and evaluation programs, project acquisitions, and corporate functions. The Company is a mineral exploration and development company and does not currently generate operating revenue.

The exploration and evaluation expenditures for the two most recent quarters ended December 31 and September 30, 2023, included costs relating to the early site work completed at the Copperwood Project required for the Wetlands and Streams Permit.

In the quarter ended September 30, 2023, the Company completed the sale of controlling interest in White Pine Copper, LLC to its joint venture partner Kinterra, resulting in a gain of \$39,521,720 for the period.

RESULTS OF OPERATIONS

| | Three months ended December 31, | | Six months ended December 31, | |
|--|------------------------------------|-----------------------|----------------------------------|-----------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Exploration and evaluation | \$ 3,211,949 | \$ 1,167,075 | \$ 7,957,783 | \$ 1,784,921 |
| Management and administration | 1,199,238 | 535,969 | 1,975,743 | 972,963 |
| Depreciation and amortization | 648 | 2,995 | 1,288 | 5,632 |
| Share-based compensation | 369,469 | 175,790 | 465,626 | 551,548 |
| Gain on sale of controlling interest in White Pine | - | - | (39,521,720) | - |
| Accretion on environmental liability | - | 1,602 | - | 3,202 |
| Share of loss in associates | 188,474 | - | 271,499 | - |
| Finance income | (212,555) | (57,145) | (286,353) | (81,140) |
| Loss (gain) on foreign exchange | 116,012 | 80,188 | (327,588) | (330,272) |
| Net income (loss) for the period | \$ (4,873,235) | \$ (1,906,474) | \$ 29,463,722 | \$ (2,906,854) |

Results of operations for the three months ended December 31, 2023 ("Q2 2023") compared to the three months ended December 31, 2022 ("Q2 2022") and six months ended December 31, 2023 ("YTD 2023")

compared to the six months ended December 31, 2022 (“YTD 2022”) are as follows:

Exploration and evaluation expenditures

The increase in exploration and evaluation expenditures of \$2 million in Q2 2023 compared to Q2 2022 and \$6.2 million in YTD 2023 compared to YTD 2022 is mainly attributable to the early site work initiated during the two most current quarters. The work was required to maintain the permits on the Copperwood Project in good standing.

Management and administration

Management and administration expenditures increased by \$0.7 million in Q2 2023 compared to Q2 2022 and \$1 million in YTD 2023 compared to YTD 2022 primarily due to termination payments incurred with change in management and increased professional fees associated with increased corporate activities.

Share of loss in associates

The Company accounts for its 34% interest in the White Pine North Project joint venture using the equity method. The amount recognized as ‘share of loss in associate’ for the period represents the Company’s share of White Pine North Project’s loss incurred during Q2 2023 and YTD 2023.

Finance income

Finance income represents interest earned on the Company’s cash and cash equivalents. The increase in finance income during Q2 2023 and YTD 2023 compared to same periods last year is a result of higher interest rate and higher cash and cash equivalent balances during the three and six months ended December 31, 2023.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2023, the Company had working capital (total current assets less total current liabilities) of \$21,806,791 compared to \$5,171,245 at June 30, 2023. The increase in working capital during the six months ended December 31, 2023 is mainly attributable to the sale of the Company’s controlling interest in the White Pine North Project for gross proceeds of \$30 million. Uses of cash during the six months ended December 31, 2023 included funding the early site work at the Copperwood Project and corporate activities.

The Company will continue to fund its portion of the White Pine North Project by drawing on the \$10 million unsecured loan provided by its joint venture partner Kinterra.

The Company currently has no source of operating cash flow. Continuance as a going concern is dependent upon the Company’s ability to obtain adequate equity or debt financing, or, alternatively, dispose of its non-core properties on an advantageous basis, among other things. While the Company has been successful in the past in obtaining financing for its operations, there is no assurance that it will be able to obtain adequate financing in the future, and as a result, a material uncertainty exists that casts significant doubt about the Company’s ability to continue as a going concern.

OFF BALANCE-SHEET ARRANGEMENTS

During the period ending December 31, 2023, the Company was not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations, financial condition, capital expenditures, liquidity, or capital resources of the Company.

RELATED PARTY TRANSACTIONS

Key management personnel are persons responsible for planning, directing, and controlling the activities of the Company, including directors and officers. For the three and six months ended December 31, 2023 and 2022, key management compensation comprises:

| | Three months ended December 31, | | Six months ended December 31, | |
|---|------------------------------------|-------------------|----------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Salaries, bonuses, and termination payments | \$ 885,867 | \$ 215,893 | \$ 1,068,544 | \$ 388,640 |
| Share-based compensatin | 369,469 | 175,790 | 465,626 | 551,548 |
| | <u>\$ 1,255,336</u> | <u>\$ 391,683</u> | <u>\$ 1,534,170</u> | <u>\$ 940,188</u> |

PROPOSED TRANSACTIONS

There are no proposed transactions that have not been disclosed herein.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 736,363,619 common shares and 39,550,002 stock options outstanding.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to risks that arise from its use of financial instruments. The Company's exposures to financial risk and how the Company manages each of those risks is described in the Company's MD&A for the year ended June 30, 2023. There were no significant changes to the Company's exposure to those risks or to the Company's management of its risk exposures during the six months ended December 31, 2023.

RISKS AND UNCERTAINTIES

The Company is engaged in the acquisition, exploration, evaluation, and development of mineral projects which, by nature, are speculative. Due to the high-risk nature of the Company's business and the present stage of the Company's various projects, an investment in the Company's common shares should be considered a highly speculative investment that involves significant financial risks, and prospective investors should carefully consider all of the information disclosed in this MD&A and the Company's other public disclosures, including the risks disclosed in the "Risks and Uncertainties" section of the Company's MD&A for the year ended June 30, 2023 prior to making any investment in the Company's common shares. The risks disclosed in the "Risks and Uncertainties" section of the Company's MD&A for the year ended June 30, 2023 do not necessarily comprise all of the risks faced by the Company.

Additional risks not currently known to the Company, or that the Company currently considers immaterial, may also adversely affect the Company's business, result of operations, financial results, prospects and price of common shares.

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 for both the Copperwood and White Pine North projects; the Company's ongoing activities at Copperwood; the projected employment for both construction and operation of the Copperwood Project; the anticipated economic benefits to the local and state economies resulting from the construction and operation of the Copperwood Project; the timing of completion of, anticipated size of, and expected results of, the winter drill program for the White Pine North Project; the anticipated approval of the grant; the timing of the next presentation to the MSF Board; 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, inaccuracy of the assumptions used in preparing the Copperwood Feasibility Study, the White Pine North PEA, and the PSC report; increased operating and capital costs, 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, maintenance of state permits; 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, the Copperwood Feasibility Study and the White Pine North PEA, all of which are filed and available for review under the Company's profile on SEDAR+ at www.sedarplus.ca. 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 reliance on these forward-looking statements.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING RESOURCE ESTIMATES

The resource estimates and other technical disclosure in this MD&A were prepared in accordance with National Instrument 43-101 adopted by the Canadian Securities Administrators (“NI 43-101”) and the 2014 CIM Standards. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Highland is not required to provide disclosure on its mineral properties in the form required by the United States Securities and Exchange Commission (the “SEC”) as Highland is presently a “foreign issuer” under the U.S. Exchange Act. Accordingly, United States investors are cautioned that the disclosure Highland provides on its mineral properties in this MD&A and under its continuous disclosure obligations in Canada may be different from the disclosure that Highland would otherwise be required to provide as a U.S. domestic issuer.

United States investors are cautioned that while terms used under the SEC rules are “substantially similar” to CIM Definitions, there are differences in the definitions. There is no assurance any resources and reserves that Highland reports as “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” and “proven mineral reserves” and “probable mineral reserves” under NI 43-101 would be the same had Highland prepared these estimates under the standards adopted by the SEC.

United States investors are also cautioned that while the SEC now recognizes “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”, investors should not assume that any part or all of the mineral deposits in these categories will ever be converted into a higher category of mineral resources or into mineral reserves. Mineralization described by these terms has a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Investors are cautioned not to assume that any “measured mineral resources”, “indicated mineral resources”, or “inferred mineral resources” that we report in this AIF are or will be economically or legally mineable.

Further, “inferred resources” have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of “inferred mineral resources” cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.