



**Condensed interim consolidated financial statements**

**For the three and six months ended December 31, 2022**

In US dollars

**Unaudited**

---

**NOTICE TO READER**

The accompanying unaudited condensed interim consolidated financial statements of Highland Copper Company Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

# Highland Copper Company Inc.

## Condensed Interim Consolidated Statements of Financial Position

| <i>(unaudited, in US dollars)</i>          | December 31,<br>2022 | June 30,<br>2022  |
|--|----------------------|-------------------|
|  | \$                   | \$                |
| <b>ASSETS</b>                              |                      |                   |
| Current                                    |                      |                   |
| Cash and cash equivalents                  | 9,534,443            | 12,929,815        |
| Sales taxes receivable                     | 65,100               | 51,041            |
| Prepaid expenses and other                 | 82,781               | 70,924            |
|  | <b>9,682,324</b>     | <b>13,051,780</b> |
| Non-current                                |                      |                   |
| Environmental bond (Note 4a)               | 2,289,782            | 1,676,149         |
| Capital assets                             | 45,358               | 29,672            |
| Exploration and evaluation assets (Note 4) | 22,963,967           | 22,856,259        |
| <b>TOTAL ASSETS</b>                        | <b>34,981,431</b>    | <b>37,613,860</b> |
| <b>LIABILITIES</b>                         |                      |                   |
| Current                                    |                      |                   |
| Accounts payable and accrued liabilities   | 1,458,207            | 1,257,830         |
|  | <b>1,458,207</b>     | <b>1,257,830</b>  |
| Non-current                                |                      |                   |
| Environmental liability (Note 5)           | 2,100,627            | 2,097,425         |
| <b>TOTAL LIABILITIES</b>                   | <b>3,558,834</b>     | <b>3,355,255</b>  |
| <b>SHAREHOLDERS' EQUITY</b>                |                      |                   |
| Share capital (Note 6)                     | 83,948,586           | 83,948,586        |
| Contributed surplus                        | 15,771,933           | 15,220,385        |
| Deficit                                    | (68,933,669)         | (66,026,815)      |
| Cumulative translation adjustment          | 635,747              | 1,116,449         |
| <b>TOTAL EQUITY</b>                        | <b>31,422,597</b>    | <b>34,258,605</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>        | <b>34,981,431</b>    | <b>37,613,860</b> |

Going concern (Note 2).

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

On behalf of the Board,

/s/ Denis Miville-Deschênes  
Denis Miville-Deschênes, Director

/s/ Caroline Donally  
Caroline Donally, Director

# Highland Copper Company Inc.

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

| <i>(unaudited, in US dollars)</i>                               | Three months ended December 31, |                  | Six months ended December 31, |                |
|---|---------------------------------|------------------|-------------------------------|----------------|
|   | 2022                            | 2021             | 2022                          | 2021           |
|   |                                 |                  | \$                            | \$             |
| <b>Expenses and other items</b>                                 |                                 |                  |                               |                |
| Exploration and evaluation (Note 8)                             | 1,167,075                       | 335,021          | 1,784,921                     | 538,960        |
| Management and administration (Note 9)                          | 535,969                         | 448,359          | 972,963                       | 1,045,217      |
| Depreciation and amortization                                   | 2,995                           | 1,236            | 5,632                         | 2,739          |
| Stock-based compensation  | 175,790                         | 72,583           | 551,548                       | 72,583         |
| Gain on disposal of exploration and evaluation assets (Note 4b) | -                               | -                | -                             | (2,945,939)    |
| Accretion on environmental liability (Note 5)                   | 1,602                           | 2,625            | 3,202                         | 5,250          |
| Finance expense   | -                               | -                | -                             | 322,147        |
| Finance income  | (57,145)                        | (13,184)         | (81,140)                      | (16,838)       |
| Loss (gain) on foreign exchange                                 | 80,188                          | 37,361           | (330,272)                     | 91,159         |
| <b>Net income (loss) for the period</b>                         | <b>(1,906,471)</b>              | <b>(884,001)</b> | <b>(2,906,854)</b>            | <b>884,722</b> |
| Other comprehensive income (loss)                               |                                 |                  |                               |                |
| Item that may be subsequently reclassified to income            |                                 |                  |                               |                |
| Foreign currency translation adjustment                         | 103,065                         | 64,811           | (480,702)                     | 106,922        |
| <b>Comprehensive income (loss) for the period</b>               | <b>(1,803,406)</b>              | <b>(819,190)</b> | <b>(3,387,556)</b>            | <b>991,714</b> |
| Basic and diluted loss per common share                         | (0.00)                          | (0.00)           | (0.00)                        | (0.00)         |
| Weighted average number of common shares - basic and diluted    | 736,636,619                     | 568,804,533      | 736,636,619                   | 652,584,076    |

*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<br>and outstanding<br>common shares | Share<br>capital  | Contributed<br>Surplus | Deficit             | Cumulative<br>translation<br>adjustment | Total<br>shareholders'<br>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                                 |
| Private placement                       | -  | -                 | -                      | -                   | -                                       | -  |
| Share issue expenses                    | -  | -                 | -                      | -                   | -                                       | -  |
| Stock-based remuneration                | -  | -                 | 551,448                | -                   | -                                       | 551,548                                    |
| Net income for the period               | -  | -                 | -                      | (2,906,854)         | -                                       | (2,906,854)                                |
| Foreign currency translation adjustment | -  | -                 | -                      | -                   | (480,702)                               | (480,702)                                  |
| <b>Balance at December 31, 2022</b>     | <b>736,363,619</b>                                   | <b>83,948,589</b> | <b>15,771,933</b>      | <b>(68,933,669)</b> | <b>635,747</b>                          | <b>31,422,597</b>                          |
| Balance at June 30, 2021                | 472,933,689  | 66,137,274        | 11,872,108             | (81,650,160)        | 1,740,956                               | (1,899,822)                                |
| Below market element of credit facility | -  | -                 | 176,182                | -                   | -                                       | 176,182                                    |
| Net loss for the period                 | -  | -                 | -                      | (1,636,675)         | -                                       | (1,636,675)                                |
| Foreign currency translation adjustment | -  | -                 | -                      | -                   | (376,500)                               | (376,500)                                  |
| <b>Balance at December 31, 2021</b>     | <b>472,933,689</b>                                   | <b>66,137,274</b> | <b>12,048,290</b>      | <b>(83,286,835)</b> | <b>1,364,456</b>                        | <b>(3,736,815)</b>                         |

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

# Highland Copper Company Inc.

## Condensed Interim Consolidated Statements of Cash Flows

| <i>(unaudited, in US dollars)</i>  | Six months ended December 31, |                    |
|--|-------------------------------|--------------------|
|  | 2022                          | 2021               |
|  | \$                            | \$                 |
| <b>Operating activities</b>  |                               |                    |
| Net income (loss) for the period   | (2,906,954)                   | 884,722            |
| Adjustments  |                               |                    |
| Share-based compensation   | 551,548                       | 72,583             |
| Depreciation and amortization  | 5,632                         | 2,739              |
| Gain on disposal of exploration and evaluation assets (Note 4b)                                      | -                             | (2,945,939)        |
| Accretion on environmental liability (Note 5)  | 3,202                         | 5,250              |
| Unrealized loss (gain) on foreign exchange   | (330,272)                     | 81,244             |
| Finance expense  | -                             | 322,147            |
| Changes in working capital items   |                               |                    |
| Sales taxes receivable   | (14,058)                      | (35,549)           |
| Prepaid expenses and other   | (11,858)                      | (22,134)           |
| Accounts payable and accrued liabilities   | 200,377                       | (1,281,935)        |
|  | <b>(2,501,883)</b>            | <b>(2,916,868)</b> |
| <b>Investing activities</b>  |                               |                    |
| Environmental bond (Note 4a)   | (613,633)                     | (1,676,149)        |
| Capital assets   | (21,318)                      | -                  |
| Proceeds from sale of exploration and evaluation assets (Note 4b)                                    | -                             | 3,000,000          |
| Additions to exploration and evaluation assets (Note 4)  | (126,025)                     | (126,025)          |
|  | <b>(760,976)</b>              | <b>1,197,826</b>   |
| <b>Financing activities</b>  |                               |                    |
| Issue of share capital (Note 6)  | -                             | 20,824,827         |
| Share issue expenses (Note 6)  | -                             | (159,751)          |
| Reimbursement of credit facility   | -                             | (6,337,704)        |
|  | -                             | 14,327,372         |
| Effect of exchange rate changes on cash held in foreign currency                                     | (132,115)                     | (4,745)            |
| Net change in cash and cash equivalents  | <b>(3,394,102)</b>            | 12,603,581         |
| Cash, beginning of period  | <b>12,929,815</b>             | 2,982,600          |
| Cash and cash equivalents, end of period   | <b>9,534,443</b>              | 15,586,181         |
| <b>Supplemental cash flow information</b>  |                               |                    |
| Additions to exploration and evaluation assets, included in accounts payable and accrued liabilities | -                             | -                  |
| Additions to exploration and evaluation assets and to environmental liability                        | -                             | 593,148            |
| Below-market element of credit facility in contributed surplus                                       | -                             | -                  |

*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 six months ended December 31, 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 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 December 31, 2022, the Company’s principal assets, located in Michigan’s Upper Peninsula region, include the 100%-owned Copperwood copper project (the “Copperwood Project”) and the White Pine North copper project (the “White Pine North Project”).

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 23, 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 \$68,933,669 at December 31, 2022 (a deficit of \$66,026,815 at June 30, 2022). At December 31, 2022, the Company has working capital of \$8,224,117 (working capital of \$11,793,951 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.

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

**Three and six months ended December 31, 2022** *(unaudited - in US dollars)*

---

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.

### **3. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and follow the same accounting policies as the Company's most recent annual consolidated financial statements. These condensed interim consolidated financial statements do not contain all of the information and disclosures required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2022 and 2021, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**Three and six months ended December 31, 2022** (unaudited - in US dollars)

## 4. EXPLORATION AND EVALUATION ASSETS

|                                      | Copperwood<br>Project | White Pine<br>North Project | Total             |
|--------------------------------------|-----------------------|-----------------------------|-------------------|
|                                      | \$                    | \$                          | \$                |
| Balance at June 30, 2022             | 17,804,059            | 5,052,200                   | 22,856,259        |
| Acquisition                          | 126,025               | -                           | 126,025           |
| Effect of change in foreign exchange | -                     | (18,317)                    | (18,317)          |
| <b>Balance at December 31, 2022</b>  | <b>17,930,084</b>     | <b>5,033,883</b>            | <b>22,963,967</b> |

### a) *White Pine North Project, Michigan, USA*

On May 13, 2014, the Company acquired from 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 quarter, the Company initiated the process to replace the financial assurance with a surety bond. As part of that process, the Company placed a cash deposit of \$613,633 with the surety provider. Subsequent to quarter-end, the financial assurance amount of \$1,676,149 was returned by EGLE.

### b) *Sale of the UPX Project*

On August 27, 2021, the Company completed the sale of its mineral exploration project referred to as the UPX Property, through the sale of all of the issued and outstanding shares of UPX Minerals Inc. (“UPX Minerals”), an indirect wholly-owned subsidiary of Highland, to Sweetwater, an entity owned by Orion, in exchange for a cash consideration of \$3,000,000 and the assumption by Sweetwater of the remaining amount due under a promissory note in favor of Kennecott Exploration Company and Rio Tinto Nickel Company (“RTX”), resulting in a gain on sale of \$2,946,908 presented in the consolidated statements of income and comprehensive income.

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



# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

**Three and six months ended December 31, 2022** *(unaudited - in US dollars)*

---

## 5. ENVIRONMENTAL LIABILITY

The environmental liability consists of reclamation costs related to the final acquisition of the White Pine North Project (Note 5). The undiscounted cash flow amount of the total liability was estimated at \$2,048,600 at July 27, 2021 and the present value of the total liability was estimated at \$867,423, calculated using a discount rate of 8.0% and reflecting payments to be made from 2022 to 2051, inclusively.

|                              | <b>Six months ended</b>  |
|------------------------------|--------------------------|
|                              | <b>December 31, 2022</b> |
|                              | \$                       |
| Balance, beginning of period | 2,097,425                |
| Accretion expense            | <b>3,202</b>             |
| Balance, end of period       | <b>2,100,627</b>         |

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**Three and six months ended December 31, 2022** (unaudited - in US dollars)

## 6. SHARE CAPITAL

### *Issued and fully paid*

At December 31, 2022, 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 CAD0.10 per Unit for total proceeds of CAD26,342,993 (\$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 CAD0.18 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 CAD0.03 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 September 30, 2022:

| Grant date        | Number of warrants |             | Number of warrants | Price per share | Expiry date  |
|-------------------|--------------------|-------------|--------------------|-----------------|--------------|
|                   | June 30, 2021      | Granted     |                    |                 |              |
|                   |                    |             |                    | \$              |              |
| August 27, 2021   | -                  | 126,464,965 | 126,464,965        | 0.18            | Aug 27, 2023 |
| September 9, 2021 | -                  | 5,250,000   | 5,250,000          | 0.18            | Sep 9, 2023  |
|                   | -                  | 131,714,965 | 131,714,965        | 0.18            |              |

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**Three and six months ended December 31, 2022** (unaudited - in US dollars)

## 7. STOCK OPTIONS

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

The following table reflects the stock options issued and outstanding at December 31, 2022:

|                            | Six months ended<br>December 31,<br>2022 |                                 | Year ended June 30,<br>2022 |                                 |
|----------------------------|--|---------------------------------|-----------------------------|---------------------------------|
|                            | Number                                   | Average exercise price<br>(C\$) | Number                      | Average exercise price<br>(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 at December 31, 2022:

| Issue date        | Number of<br>options | Exercise<br>price<br>C\$ | Remaining<br>contractual<br>life<br>(years) | Number of<br>exercisable<br>options | Exercise<br>price of<br>exercisable<br>options<br>C\$ |
|-------------------|----------------------|--------------------------|---|-------------------------------------|---|
| December 16, 2021 | 3,500,000            | 0.11                     | 4.0   | 2,333,333                           | 0.11  |
| February 24, 2022 | 6,500,000            | 0.15                     | 4.2   | 2,166,667                           | 0.15  |
| July 25, 2022     | 13,300,000           | 0.10                     | 6.6   | 4,433,333                           | 0.10  |
|                   | 23,300,000           | 0.12                     | 5.5   | 8,933,333                           | 0.11  |

## 8. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

|   | Three months ended December 31, |         | Six months ended December 31, |         |
|---|---------------------------------|---------|-------------------------------|---------|
|   | 2022                            | 2021    | 2022                          | 2021    |
|   | \$                              | \$      | \$                            | \$      |
| Labour  | 373,864                         | 53,311  | 812,071                       | 69,430  |
| Studies   | 625,343                         | 193,081 | 679,701                       | 304,469 |
| Office, overhead and other administrative costs | 167,869                         | 88,629  | 293,149                       | 165,061 |
|   | 1,167,075                       | 335,021 | 1,784,921                     | 538,960 |

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**Three and six months ended December 31, 2022** (unaudited - in US dollars)

## 9. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

|                               | Three months ended December 31, |         | Six months ended December 31, |           |
|-------------------------------|---------------------------------|---------|-------------------------------|-----------|
|                               | 2022                            | 2021    | 2022                          | 2021      |
|                               | \$                              | \$      | \$                            | \$        |
| Administrative and general    | 263,208                         | 275,553 | 445,957                       | 709,860   |
| Office                        | 19,742                          | 32,094  | 80,120                        | 58,833    |
| Professional fees             | 161,590                         | 114,264 | 281,651                       | 241,084   |
| Investor relations and travel | 91,428                          | 16,128  | 165,235                       | 19,298    |
| Reporting issuer costs        | -                               | 10,320  | -                             | 16,142    |
|                               | 535,969                         | 448,359 | 972,963                       | 1,045,217 |

## 10. FINANCE EXPENSE

The Company incurred the following finance expense:

|                                       | Three months ended December 31, |      | Six months ended December 31, |         |
|---------------------------------------|---------------------------------|------|-------------------------------|---------|
|                                       | 2022                            | 2021 | 2022                          | 2021    |
|                                       |                                 |      | \$                            | \$      |
| Effective interest on credit facility | -                               | -    | 119,351                       | 119,351 |
| Interest on promissory note           | -                               | -    | 202,796                       | 202,796 |
| Other                                 | -                               | -    | -                             | -       |
|                                       | -                               | -    | 322,147                       | 322,147 |

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

**Three and six months ended December 31, 2022** (unaudited - in US dollars)

## 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:

|                                   | December 31, 2022 |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|
|                                   | Canada            | USA               | Total             |
|                                   | \$                | \$                | \$                |
| Current assets                    | 8,763,787         | 918,537           | 9,682,324         |
| Environmental bond                | -                 | 2,289,782         | 2,289,782         |
| Capital assets                    | 3,309             | 42,049            | 45,358            |
| Exploration and evaluation assets | 358,712           | 22,605,255        | 22,963,967        |
| <b>Total assets</b>               | <b>9,125,809</b>  | <b>25,855,623</b> | <b>34,981,431</b> |

  

|                                   | June 30, 2022     |                   |                   |
|-----------------------------------|-------------------|-------------------|-------------------|
|                                   | Canada            | USA               | Total             |
|                                   | \$                | \$                | \$                |
| Current assets                    | 10,494,771        | 2,557,009         | 13,051,780        |
| Environmental                     | -                 | 1,676,149         | 1,676,149         |
| Capital assets                    | 3,941             | 25,731            | 29,672            |
| Exploration and evaluation assets | 377,029           | 21,259,727        | 21,636,757        |
| <b>Total assets</b>               | <b>10,875,741</b> | <b>25,518,616</b> | <b>36,394,358</b> |

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

*The following management's discussion and analysis - quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three months ended December 31, 2022 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended June 30, 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 months ended December 31, 2022 (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 February 23, 2023.*

**DESCRIPTION OF BUSINESS**

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

Copperwood and White Pine North both have significant contained copper resources totaling 4.8 billion pounds in the Measured and Indicated category (182.7 million tonnes at 1.20% copper grade)<sup>1</sup>, and 3.5 billion pounds in the Inferred category (148.7 million tonnes at 1.08% copper grade). 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. Highland plans to update the Feasibility Study by the end of calendar Q1 2023 and consider development in the near term.

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 December 31, 2022, the Company has 736,363,619 common shares issued and outstanding. Orion Resource Partners ("**Orion**"), Condire Investors LLC ("**Condire**") and Greenstone Resources II LP ("**Greenstone**") hold respectively 27.7%, 16.2% and 15.9% of the Company's issued and outstanding common shares.

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 MONTHS ENDED December 31, 2022**

#### *Copperwood Project*

- The Company has initiated an update of the Feasibility Study on its Copperwood Project which was completed in 2018, taking into account various factors including current market prices for metals, prices to purchase equipment, supplies and consumables and for labor rates. The Company has retained the services of G Mining Services Inc. ("**GMSI**"), a Canadian mining consultancy firm, to complete the updated Feasibility Study. The updated Feasibility Study is expected to be issued by the end of calendar Q1 2023.

#### *White Pine North Project*

- A drilling program was initiated in the quarter with the goal of upgrading a portion of the Inferred resources into the Measured and Indicated category. This would increase the usable resource base and mine life for future Feasibility Studies. The initial phase of the program consists of 8 holes representing approximately 8,400 meters of core drilling. The timing of the program will be partially dependent on weather conditions.
- The Company has initiated baseline environmental studies and is currently interfacing with the State of Michigan on the permitting process for White Pine North.

#### *Combined Scenario*

- The Company initiated a study to better define the potential of a combined development and production scenario for Copperwood and White Pine North. Ore from both sites could then be transported from the mines, mixed and processed through the plant for production of a concentrate. We expect this study to be completed in the first half of 2023. As part of this study, the viability of refurbishing an existing rail line for the purpose of transporting ore and concentrate will be studied.

- The appeal of this scenario is a minimized environmental footprint and considerable operating synergies, in addition to a potentially higher copper production profile.

*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.
- On December 14, 2022, the company reported that all proposed resolutions described in the Company's Management Information Circular dated November 8, 2022 were approved at the Company's annual meeting of the shareholders
- As at December 31, 2022, the Company is debt free and has working capital of \$8.2 million.
- The Company estimates that the current working capital will be sufficient: (i) to complete the update of the 2018 Copperwood Feasibility Study described below, (ii) to initiate baseline environmental studies at the White Pine North Project and (iii) to provide for management and administration expenses for at least the next 12 months.

**EXPLORATION AND EVALUATION EXPENSES**

The amounts capitalized during the six months ended December 31, 2022 include a lease payment of \$126,025 related to the Copperwood Project.

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

|   | Copperwood     | White Pine     | Other         | Three months<br>ended<br>Dec 31, 2022 | Three months<br>ended<br>Dec 31, 2021 |
|---|----------------|----------------|---------------|---------------------------------------|---------------------------------------|
|   | Project        | Project        | expenses      | Total                                 | Total                                 |
|   | \$             | \$             | \$            | \$                                    | \$                                    |
| Labour  | 235,473        | 138,391        | -             | 373,864                               | 53,311                                |
| Studies and consultants                         | -              | 625,343        | -             | 625,343                               | 193,081                               |
| Office, overhead and other administrative costs | 32,223         | 131,753        | 3,893         | 167,869                               | 88,629                                |
|   | <b>267,696</b> | <b>887,122</b> | <b>12,257</b> | <b>1,167,075</b>                      | <b>335,021</b>                        |

**OPERATING ACTIVITIES**

During the three months ended December 31, 2022, the Company realized net loss of \$1,906,741 (nil per share) compared to a net loss of \$884,001 (nil per share) during the comparative period in 2021. Other significant items during the period included exploration and evaluation expenses of \$1,167,075 as detailed above (\$335,021 in 2021),



management and administration expenses of \$535,969 (\$448,359 in 2021). Management and administration expenses during the three months ended December 31, 2022 included wages and fees to consultants of \$263,208.

### **LIQUIDITIES AND CAPITAL RESOURCES**

At December 31, 2022, the Company had a working capital (total current assets less total current liabilities) of \$8,224,117 compared to a working capital of \$11,793,951 at June 30, 2022.

At December 31, 2022, financial liabilities of \$1,458,207 consisted of accounts payable and accrued liabilities due within the next three months.

### **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 six months ended December 31, 2022, totaled \$215,243 and \$430,486, respectively (\$269,819 and \$676,065 during the comparative periods in 2021).

### **RISKS AND UNCERTAINTIES**

Highland is subject to a number of significant risks and uncertainties due to the nature of its business which includes the acquisition, exploration and development of mineral projects. Failure to successfully address such risks and uncertainties could have a significant negative impact on Highland's overall operations and financial condition and could materially affect the value of Highland's assets and impact its future operating results and business plans. Therefore, an investment in the securities of Highland involves significant risks and should be considered highly speculative.

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

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

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

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

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

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

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

## **ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE**

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