



**Condensed interim consolidated financial statements**

**For the three months ended September 30, 2023**

In US dollars

**Unaudited**

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**NOTICE TO READER**

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

# Highland Copper Company Inc.

## Condensed Interim Consolidated Statements of Financial Position

<i>(unaudited, in US dollars)</i>	September 30, 2023	June 30, 2023
	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents	29,101,212	7,030,317
Sales taxes receivable	361,284	66,870
Prepaid expenses and other	167,685	71,655
	<b>29,630,181</b>	<b>7,168,842</b>
Non-current		
Environmental bond (Note 4 a)	2,267,680	613,633
Investment in associates (note 4b)	15,405,520	-
Capital assets	649	20,037
Exploration and evaluation assets (Note 4)	19,126,790	24,113,990
<b>TOTAL ASSETS</b>	<b>66,430,820</b>	<b>31,916,502</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	3,351,850	1,997,597
	<b>3,351,850</b>	<b>1,997,597</b>
Non-current		
Asset retirement obligation	-	1,939,141
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>3,936,738</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	83,948,586	83,948,586
Contributed surplus	16,155,094	16,058,937
Deficit	(37,502,139)	(72,830,802)
Cumulative translation adjustment	477,429	803,043
<b>TOTAL EQUITY</b>	<b>63,078,970</b>	<b>27,979,764</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>66,430,820</b>	<b>31,916,502</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/ 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 September 30,	
	2023	2022
	\$	\$
<b>Expenses and other items</b>		
Exploration and evaluation (Note 7)	4,745,834	617,846
Management and administration (Note 8)	2,510,797	436,994
Share-based compensation	96,157	375,758
Depreciation and amortization	640	2,637
Gain on sale of controlling interest in White Pine Copper LLC (note 4b)	(42,247,718)	-
Share of loss in associates (note 4b)	83,025	-
Accretion on environmental liability	-	1,601
Finance income	(73,798)	(23,995)
Loss (gain) on foreign exchange	(443,600)	(408,459)
<b>Net income (loss) for the period</b>	<b>35,328,663</b>	<b>(1,002,382)</b>
Other comprehensive income (loss)		
Item that may be subsequently reclassified to income		
Foreign currency translation adjustment	(325,614)	(583,768)
<b>Comprehensive income (loss) for the period</b>	<b>35,003,049</b>	<b>(1,582,150)</b>
Basic and diluted income (loss) per common share	0.05	(0.00)
Weighted average number of common shares - basic and diluted	736,363,619	736,363,619

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

## Highland Copper Company Inc. Condensed Interim Consolidated Statements of Shareholders' Equity

<i>(unaudited, in US dollars)</i>	Number of issued and outstanding common shares	Share capital	Contributed Surplus	Deficit	Cumulative translation adjustment	Total shareholders' equity (deficit)
		\$	\$	\$	\$	\$
Balance at June 30, 2023	736,363,619	83,948,586	16,058,937	(72,830,802)	803,043	27,979,764
Share-based compensation	-	-	96,157	-	-	96,157
Net income for the period	-	-	-	35,328,663	-	35,328,663
Foreign currency translation adjustment	-	-	-	-	(325,614)	(325,614)
<b>Balance at September 30, 2023</b>	<b>736,363,619</b>	<b>83,948,586</b>	<b>16,155,094</b>	<b>(37,502,139)</b>	<b>447,429</b>	<b>63,078,970</b>
Balance at June 30, 2022	736,363,619	83,948,586	16,058,937	(66,026,815)	1,116,449	34,258,605
Share-based compensation	-	-	838,552	-	-	838,552
Net income for the period	-	-	-	(6,803,987)	-	(6,803,987)
Foreign currency translation adjustment	-	-	-	-	(313,406)	(313,406)
<b>Balance at September 30, 2022</b>	<b>736,363,619</b>	<b>83,948,586</b>	<b>16,897,489</b>	<b>(72,830,802)</b>	<b>803,043</b>	<b>27,979,764</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>	Three months ended September 30,	
	2023	2022
	\$	\$
<b>Operating activities</b>		
Net income (loss) for the period	35,328,663	(1,002,482)
Adjustments		
Shared-based compensation	96,157	375,758
Depreciation and amortization	640	2,637
Gain on sale of controlling interest in White Pine Copper LLC (Note 4 b)	(42,247,718)	-
Share of loss in associates	83,025	-
Accretion on environmental liability	-	1,601
Unrealized loss (gain) on foreign exchange	(443,600)	(408,359)
Changes in working capital items		
Sales taxes receivable	(294,414)	19,121
Prepaid expenses and other	(96,030)	38,127
Accounts payable and accrued liabilities	1,354,253	(198,272)
	<b>(6,219,024)</b>	<b>(1,171,869)</b>
<b>Investing activities</b>		
Environmental bond (Note 4)	(1,654,047)	-
Capital assets	-	(940)
Mineral properties	(65,000)	(65,000)
Proceeds from sale of controlling interest in White Pine Copper LLC (Note 4b)	29,924,980	-
Investment in associate – White Pine Copper LLC cash call (note 4b)	(34,000)	-
	<b>28,171,933</b>	<b>(65,940)</b>
Effect of exchange rate changes on cash held in foreign currency	117,789	(151,526)
Net change in cash and cash equivalents	22,070,895	(1,389,365)
Cash, beginning of period	7,030,317	12,928,515
Cash and cash equivalents, end of period	29,101,212	11,539,180
<b>Supplemental cash flow information</b>		
Additions to exploration and evaluation assets and to environmental liability	65,000	65,000

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 months ended September 30, 2023 (unaudited - in US dollars)

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## 1. GENERAL INFORMATION

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

At September 30, 2023, the Company's principal assets, located in Michigan's Upper Peninsula region, included the 100%-owned Copperwood copper project (the "Copperwood Project") and 34% of 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 November 27, 2023.

## 2. GOING CONCERN

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

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

To date, the Company has not yet generated positive cash flows from its operating activities and is in the exploration and development stage. The Company has a net income of \$35,328,663 for the quarter ending September 30, 2023 (a deficit of \$6,803,987 at June 30, 2023). At September 30, 2023, the Company has a working capital of \$26,278,331 (a working capital of \$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. 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 months ended September 30, 2023** (unaudited - in US dollars)

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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 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, and in addition, the policy of investment of associates was followed. These condensed interim consolidated financial statements do not contain all of the information and disclosures required for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended June 30, 2023 and 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The comparative information includes the consolidation of the White Pine North Project, and the current period does not include this.

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 (unaudited - in US dollars)

## 4. EXPLORATION AND EVALUATION ASSETS

	Copperwood Project	White Pine Project	Total
	\$	\$	\$
Balance at June 30, 2023	19,061,790	5,052,200	24,113,990
Acquisition	65,000	-	65,000
Disposition on sale of controlling interest in White Pine Copper LLC	-	(5,052,200)	(5,052,200)
<b>Balance at September 30, 2023</b>	<b>19,126,790</b>	<b>-</b>	<b>19,126,790</b>

### 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. 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.

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 transaction with Kinterra in July 2023, the financial assurance for the White Pine North Project of \$613,633 was then returned.

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

### 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 ("Kinterra") 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. 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 will consist of \$20 million representing Kinterra's 66% pro rata expenditure, as well as a \$10 million unsecured loan available to the Company to satisfy cash calls for its pro rata expenditure. If the company takes advantage of the \$10 million unsecured loan to cover cash calls, it will have a coupon of 10% and will mature in July 2026. A second unsecured loan (on the same terms) will become available to the Company after this \$30 million has been spent on White Pine North, assuming any initial loan has been repaid. The second loan will have a maturity of July 2028.



# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 (unaudited - in US dollars)

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

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 \$15,405,520 and recognized a net non-cash gain on deconsolidation of \$42,266,466.

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

	July 24, 2023
Non-current assets	
Capital assets	18,748
Exploration and evaluation assets	5,052,200
Non-current liabilities	
Asset retirement obligation	(1,939,141)
<b>Non-current net assets (liabilities)</b>	<b>3,131,807</b>
<b>Total net assets</b>	<b>3,131,807</b>

The following table details the gain on sale:

	July 24, 2023
Fair value of the consideration received (net)	29,924,980
Fair value of any retained non-controlling investment	15,454,545
Carrying amount of the former subsidiary's net assets	(3,131,807)
<b>Gain (loss) on loss of control in subsidiary</b>	<b>42,247,718</b>

Investment in associate:

	Three months ended, September 30, 2023
Balance as at June 30, 2023	-
Investment in associate	15,454,545
Cash call	34,000
Share loss	(83,025)
<b>Balance as at September 30, 2023</b>	<b>15,405,520</b>

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 (unaudited - in US dollars)

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## 5. SHARE CAPITAL

*Issued and fully paid*

At September 30, 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 at September 30, 2023:

Grant date	Number of warrants		Number of warrants September 30, 2023	Price per share	Expiry date
	June 30, 2023	Expired			
				\$	
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 months ended September 30, 2023 (unaudited - in US dollars)

## 6. STOCK OPTIONS

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

	Three months ended September 30,		Year ended June 30,	
	2023		2023	
	Number	Average exercise price (C\$)	Number	Average exercise price (C\$)
Options, beginning of year	17,525,000	0.12	17,525,000	0.13
Granted	13,300,000	0.11	13,300,000	0.10
Expired	(7,525,000)	0.11	(7,525,000)	0.12
Options, end of year	23,300,000	0.12	23,300,000	0.12

The following table reflects the stock options issued and outstanding at September 30, 2023:

Issue date	Number of options	Exercise price C\$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options C\$
December 16, 2021	3,500,000	0.11	3.2	3,500,000	0.11
February 24, 2022	6,500,000	0.15	3.4	4,333,333	0.15
July 29, 2022	13,300,000	0.10	5.8	8,866,667	0.10
	23,300,000	0.12	4.8	16,700,000	0.12

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

Three months ended September 30, 2023 (unaudited - in US dollars)

## 7. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2023	2022
	\$	\$
Labour	469,363	438,207
Excavation and site works	4,121,235	-
Studies	-	54,359
Office, overhead and other administrative costs	155,237	125,280
	<b>4,745,834</b>	<b>617,846</b>

## 8. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2023	2022
	\$	\$
Administrative and general	208,426	182,748
Office	48,275	120,600
Professional fees	2,106,408	60,378
Investor relations and travel	147,689	73,807
	<b>2,510,797</b>	<b>436,994</b>

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
Three months ended September 30, 2023 (unaudited - in US dollars)

## 9. 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:

	September 30, 2023		
	Canada	USA	Total
	\$	\$	\$
Current assets	4,068,166	25,562,015	29,630,181
Environmental bond	-	2,267,680	2,267,680
Investment in associate	-	15,405,520	15,405,520
Capital assets	166	483	649
Exploration and evaluation assets	-	19,126,790	19,126,790
<b>Total assets</b>	<b>4,068,332</b>	<b>62,362,489</b>	<b>66,430,820</b>

  

	June 30, 2023		
	Canada	USA	Total
	\$	\$	\$
Current assets	6,946,673	222,169	7,168,842
Environmental bond	-	613,633	613,633
Capital assets	818	5,349	6,167
Exploration and evaluation assets	-	24,127,860	24,127,860
<b>Total assets</b>	<b>6,947,491</b>	<b>24,969,011</b>	<b>31,916,502</b>

**HIGHLAND COPPER COMPANY INC.  
MANAGEMENT'S DISCUSSION & ANALYSIS  
- QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023**

*The following management's discussion and analysis - quarterly highlights ("**Interim MD&A**") of Highland Copper Company Inc. ("**Highland**" or the "**Company**") for the three months ended September 30, 2023 provides material information about the Company's business activities during the interim period and updates disclosure previously provided in the Company's management's discussion and analysis for the year ended June 30, 2023 ("**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 September 30, 2023 (the "**Interim Financial Statements**"), the Company's audited consolidated financial statements for the years ended June 30, 2023 and 2022 (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 November 27, 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 (34% interest)**, an advanced-stage copper project, both located in the Upper Peninsula region of the State of Michigan, USA.

Highland, a Canadian-based company, was incorporated under the *Business Corporations Act (British Columbia)* in 2006. Highland's common shares are listed on the TSX Venture Exchange ("**TSXV**") under the symbol HI and on the OTCQB Venture Marketplace (the "**OTCQB**") under the symbol "HDRSF". As at September 30, 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.

During the quarter, Highland issued an updated Preliminary Economic Assessment ("PEA") on White Pine North dated effective July 12, 2023 (posted to SEDAR on September 7, 2023). 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. Additionally, Highland announced that it had sold 66% of White Pine North to Kinterra Copper USA LLC ("Kinterra"). Kinterra will be the operator of the White Pine North project, bringing their significant technical expertise to advance the project through the Feasibility Study and permitting stages. Highland's 34% stake of White Pine North remains significant to its overall asset value. Broadly, the transaction generated capital for both Copperwood and White Pine North. Particularly, Highland initiated early site works at Copperwood to meet certain permit commitments.

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**HIGHLIGHTS DURING THE THREE MONTHS ENDED SEPTEMBER 30, 2023**

*Copperwood Project*

- During the quarter, Highland Copper Company initiated site activity at its Copperwood project in the Upper Peninsula of Michigan. Subsequent to quarter end, Highland announced it had completed all permitted wetland impacts and initiated the related environmental mitigation projects as per by its permit commitments, and in line with Highland's goal to operate in an environmentally friendly manner. This represents a key step towards project financing and development.
- Highland continued its local engagement and has received resolutions of support from a range of key local stakeholders.
- Highland initiated technical optimization work aimed at improving the economic returns of Copperwood.

*White Pine North Project*

- On July 24, 2023, Highland Copper Company Inc. announced the results of the Preliminary Economic Assessment ("PEA") and mineral resource estimate for the White Pine North project ("White Pine North") in Michigan, USA. The PEA demonstrates the robust economic strength of this long-lived project
- Highland introduced Kinterra as a joint venture partner on the project. Kinterra brings additional financial and technical strength required to progress the project through to development. Kinterra has made a cash payment of \$30 million to Highland for a 66% stake in the White Pine North project. Additionally, the joint venture has agreed to spend a further \$30 million to advance the project through permitting, infill drilling and feasibility study.

*Corporate activities*

- On November 20 2023, the Board appointed Cybill Tsung as the Company's interim CFO.
- On October 11, 2023 Highland Copper Company Inc. announced that Denis Miville-Deschenes, President and Chief Executive Officer, will depart the Company. Barry O'Shea, Highland's Chief Financial Officer, has been appointed by Highland's Board as Interim CEO, while the Board seeks a full-time replacement.
- Highland announced the appointment of Mike Foley, of Ironwood, Michigan, to the position of Copperwood Site Manager. Mike has 32 years of experience as a Civil Engineer in the Upper Peninsula of Michigan and northern Wisconsin.
- On October 16, 2023 Highland Copper Company Inc announced that, subject to regulatory approval, it has approved the grant of 16,250,000 incentive stock options to directors and executive officers of the Company. The options are exercisable at an exercise price of \$0.07 per share for a period of up to seven years and will vest as to one third immediately and one third on each of the first and second anniversary of the grant.

- The Company realized a net income of \$35.3 million during the three months ended September 30, 2023 (nil per share) compared to net loss of \$1.0 million during the comparative period in 2022 (nil per share).
- As at September 30, 2023, the Company is debt free and has a working capital (total current assets less total current liabilities) of \$26 million.

## **PROJECT UPDATES**

### ***Copperwood Project***

The Copperwood project is Highland's 100%-owned, fully-permitted copper project in the Upper Peninsula, Michigan, USA. All permits for site construction and operation are issued by the State of Michigan. The Copperwood Feasibility Study issued in April 2023 demonstrated a robust project producing 64.6 million pounds of copper (approximately 30 thousand tonnes) annually over an initial 11-year mine life. Notably, the project has significant leverage to copper price changes and multiple opportunities to improve project economics.

As previously disclosed by Highland, certain early site works needed to be completed during 2023 to meet obligations under the Wetlands and Streams Permit. This work was initiated during the quarter and subsequent to quarter-end, Highland announced that all work required to maintain compliance has been completed to the satisfaction of the Michigan Department of Environment, Great Lakes, and Energy ("EGLE"). As a result, Highland confirms that all key Michigan State permits remain in good standing. Moreover, it has 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 creation of compensating wetland has been initiated to offset wetland impacts. The sitework was performed safely and in line with the Company's internal budget. Certain environmental mitigation activities will continue over the next two-year period.

While initiating on-the-ground activity, Highland has kept all key stakeholders appropriately informed. This includes periodic stakeholder meetings to deliver project updates. As a demonstration of support subsequent to quarter-end, a range of local authorities have provided resolutions of support for the Copperwood project. This includes resolutions from Gogebic County (where Copperwood is located), Ontonagon County, the City of Ironwood, the City of Bessemer, the townships of Ironwood, Bergland, Carp Lake and Erwin, as well as the Western Upper Peninsula Planning and Development Region Commission, just to name a few. Additionally, Highland has interfaced with key State authorities, particularly EGLE, to ensure the site work has been performed in accordance with Highland's permit obligations and State standards.

Highland has commissioned a third party to prepare a report evaluating the potential regional economic contribution of developing and operating the Copperwood project. While Copperwood is expected to generate significant direct investment and employment, there is also expected to be a considerable indirect economic contribution. The report is expected to be completed in the near term and Highland will provide an update when the report is published.



### **White Pine North Project**

During the quarter, Highland announced the results of an updated PEA for White Pine North. Following are the key operating and financial highlights of the White Pine North Project:

#### **Strong Economic Returns with Leverage to Copper Price Changes**

- After-tax NPV8% of \$821 million (at \$4.00/pound copper price)
- 20.8% after-tax IRR
- At \$4.50/pound copper price, after tax NPV8% of \$1.2 billion and IRR of 25.4%

#### **Improved NPV to Initial Capital Expenditure Ratio**

- Initial capital expenditures of \$615 million, net of pre-production revenue of \$265 million
- NPV to initial capital expenditure ratio of 1.33

#### **Significantly Increased Resource Base**

- Indicated mineral resource containing 3.5 billion pounds of copper (150.7 million tonnes at 1.05% Cu) and 65.5 million ounces of silver (13.5 g/t Ag)
- Inferred mineral resource containing 2.2 billion pounds of copper (96.4 million tonnes at 1.03% Cu) and 27.8 million ounces of silver (9.0 g/t Ag)
- From the above resource, mineralized material included in the mine plan of 115.8 million tonnes at 0.97% Cu and 11.09 g/t Ag, containing 2.47 billion pounds of copper and 41.3 million ounces of silver

#### **Long-lived Asset with Strong Cash Flows**

- Mine life of 21.8 years, including 21 months of ramp-up, with average annual LOM payable copper production of 93.5 million pounds and 1.2 million ounces of silver
- Life-of-mine ("LOM") average C1 cash costs of \$1.58/lb, net of by-product
- Undiscounted average annual operating cash flow of approximately \$210 million and annual free cash flow of approximately \$160 million (excluding initial capital)

The reader is advised that a PEA is preliminary in nature and is intended to provide an initial, high-level review of the project's potential and design options. The PEA mine plan and economic model include numerous assumptions and the use of Inferred resources. Inferred resources are too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and to be used in an economic analysis except as allowed for in PEA studies. There is no guarantee that Inferred resources can be converted to Indicated or Measured resources, and as such, there is no guarantee the project economics described herein will be achieved.

### **White Pine North Transaction**

During the quarter, Highland completed a transaction with Kinterra Copper USA LLC ("Kinterra") in which the Company sold 66% of the common shares of White Pine Copper LLC which owns the White Pine North Project. Kinterra brings additional financial and technical strength required to progress the project through to development. Kinterra made a cash payment of \$30 million to Highland in return for 66% of common shares. Additionally, the joint venture has agreed to spend a further \$30 million to advance the project through permitting, infill drilling and feasibility study.

The following are the key terms of the investment by Kinterra:

- **Initial Investment of \$30 million for 66% of White Pine North Project:** The initial investment reflects Kinterra's endorsement of the underlying asset value of White Pine North. The cash is unrestricted and can be used at Highland's discretion. Highland has assigned a portion of the proceeds to advancing the fully permitted Copperwood project towards a construction decision in 2024. The purchase and sale of the interest in White Pine Copper LLC has been completed and is fully funded.
- **Budget of Additional \$30 million to Advance White Pine North:** 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 will consist of \$20 million representing Kinterra's 66% pro rata expenditure, as well as a \$10 million unsecured loan to fund Highland's pro rata expenditure. This loan will be available to Highland to satisfy cash calls. The investment will allow the joint venture project to progress quickly into permitting, infill drilling and through a feasibility study.
- **Unsecured \$10 million Loan from Kinterra:** The \$10 million unsecured loan to cover cash calls will be available to Highland Copper at coupon of 10% and will mature in July 2026. A second unsecured loan (on the same terms) will become available to Highland after this \$30 million has been spent on White Pine North, assuming any initial loan has been repaid. The second loan will have a maturity of July 2028. Besides cash calls and participation on the management and technical committees, Highland is not subject to any other obligations regarding Kinterra.

The agreement contemplates that White Pine Copper LLC will be governed by a management committee, which will consist of three representatives appointed by Kinterra, and two by Highland. Highland expects to continue to be involved in the development of the White Pine North project. The management committee will propose programs and budgets for future expenditures.

Going forward, Kinterra and Highland will work proactively through the permitting and feasibility study process.

### **QUALIFIED PERSON**

The technical information included in this MD&A has been reviewed and approved by Charline Miville-Deschenes, P. Eng. and a qualified person under NI 43-101.

### EXPLORATION AND EVALUATION EXPENSES

The amounts capitalized during the three months ended September 30, 2023 include a mineral lease payment of \$65,000 related to the Copperwood Project.

Exploration and evaluation expenses charged to earnings during the three months ended September 30, 2023 and 2022 are as follows:

	Copperwood	Other	Three months ended Sept 30, 2023	Three months ended Sept 30, 2022
	Project	expenses	Total	Total
	\$	\$	\$	\$
Labour and contractors	469,363	-	469,363	247,789
Excavation and site works	4,121,235	-	4,121,235	-
Studies	-	-	-	221,152
Office, overhead and other administrative costs	80,511	74,726	155,237	130,367
	4,671,109	74,726	4,745,834	617,846

### OPERATING ACTIVITIES

During the three months ended September 30, 2023, the Company realized net income of \$35,347,411 (nil per share) compared to a net loss of \$1,002,482 (nil per share) during the comparative period in 2022. During the three months ended September 30, 2023, the Company incurred expenses in its regular course of activities. In the current quarter, the Company also realized a gain of \$42,247,718 on the sale of White Pine North to Kinterra, taking into account the cash proceeds of \$30,000,000. Other significant items during the period included exploration and evaluation expenses of \$4,745,834 as detailed above (\$617,846 in 2022), management and administration expenses of \$2,510,797 (\$436,994 in 2022) and an unrealized gain on foreign exchange of \$178,088 (a foreign exchange loss of \$412,559 in 2022) mainly related to the fluctuations of the exchange rate.

Management and administration expenses during the three months ended September 30, 2023 included wages of \$208,426 (\$182,748 in 2022), professional fees of \$2,106,408 (\$60,378 in 2022), office expenses of \$48,275 (\$120,600 in 2022) and investor relations and travel of \$147,689 (\$73,807 in 2022).

### **LIQUIDITIES AND CAPITAL RESOURCES**

At September 30, 2023, the Company had working capital of \$26,278,331 compared to working capital (total current assets less total current liabilities) of \$4,954,042 at June 30, 2023.

At September 30, 2023, financial liabilities of \$3,351,850 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 months ended September 30, 2023 totaled \$177,551 (\$124,416 during the three months ended September 30, 2022).

### **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)).