



**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the three months ended September 30, 2017**

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, 2017	June 30, 2017
	\$	\$
<b>ASSETS</b>		(Note 1 - restated)
Current		
Cash	12,013,821	14,061,705
Sales taxes receivable	46,243	42,423
Prepaid expenses and other	71,312	64,283
	<b>12,131,376</b>	14,168,411
Non-current		
Capital assets	107,349	58,453
Exploration and evaluation assets (Note 4)	30,918,470	30,351,733
<b>TOTAL ASSETS</b>	<b>43,157,195</b>	44,578,597
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	1,625,984	1,499,435
Current portion of note payable (Note 5)	110,000	110,000
Current portion of promissory note (Note 6)	880,054	835,074
Balance of purchase price payable (Note 7)	1,170,845	1,139,767
	<b>3,786,883</b>	3,584,276
Non-current		
Note payable (Note 5)	247,500	275,000
Promissory note (Note 6)	7,532,704	7,170,686
Environmental liability	248,192	246,315
<b>TOTAL LIABILITIES</b>	<b>11,815,279</b>	11,276,277
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 8)	64,197,630	64,197,630
Contributed surplus	11,364,785	11,176,081
Deficit	(45,286,517)	(42,587,151)
Cumulative translation adjustment	1,066,018	515,760
<b>TOTAL EQUITY</b>	<b>31,341,916</b>	33,302,320
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>43,157,195</b>	44,578,597

Going concern (Note 2) and Event after the Reporting Date (Note 13).

*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/ Jo Mark Zurel  
Jo Mark Zurel, Director

# Highland Copper Company Inc.

## Condensed Interim Consolidated Statements of Comprehensive Loss

<i>(unaudited, in US dollars)</i>	Three months ended September 30,	
	2017	2016
	\$	\$
		(Note 1 - restated)
<b>Expenses and other items</b>		
Exploration and evaluation (Note 10)	1,808,871	285,465
Management and administration (Note 11)	364,594	224,945
Business development	59,912	-
Share-based compensation	188,704	6,967
Depreciation and amortization	7,616	20,113
Accretion on environmental liability	1,877	2,272
Finance expense on note payable	7,700	-
Finance expense on loan from a director	-	2,529
Finance income	(28,738)	(27)
Loss on foreign exchange	288,830	349
<b>Net loss for the period</b>	<b>(2,699,366)</b>	<b>(542,613)</b>
Other comprehensive income		
Item that will not be subsequently reclassified to income		
Foreign currency translation adjustment	550,258	1,837
<b>Comprehensive loss for the period</b>	<b>(2,149,108)</b>	<b>(540,776)</b>
Basic and diluted loss per common share	(0.01)	(0.00)
Weighted average number of common shares - basic and diluted	459,148,153	153,968,626

*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
		\$	\$	\$	\$	\$
Balance at June 30, 2017 (Note 1 – restated)	459,148,153	64,197,630	11,176,081	(42,587,151)	515,760	33,302,320
Share-based compensation	-	-	188,704	-	-	188,704
Net loss for the period	-	-	-	(2,699,366)	-	(2,699,366)
Foreign currency translation adjustment	-	-	-	-	550,258	550,258
<b>Balance at September 30, 2017</b>	<b>459,148,153</b>	<b>64,197,630</b>	<b>11,364,785</b>	<b>(45,286,517)</b>	<b>1,066,018</b>	<b>31,341,916</b>
Balance at June 30, 2016 (Note 1 – restated)	153,968,626	47,531,970	5,756,400	(39,069,008)	1,092,806	15,312,168
Share-based compensation	-	-	6,967	-	-	6,967
Net loss for the period	-	-	-	(542,613)	-	(542,613)
Foreign currency translation adjustment	-	-	-	-	1,837	1,837
<b>Balance at September 30, 2016</b>	<b>153,968,626</b>	<b>47,531,970</b>	<b>5,763,367</b>	<b>(39,611,621)</b>	<b>1,094,643</b>	<b>14,778,359</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,	
	2017	2016
	\$	\$
		(Note 1 - restated)
<b>Operating activities</b>		
Net loss for the period	(2,699,366)	(542,613)
Adjustments		
Share-based compensation	188,704	6,967
Depreciation and amortization	7,616	20,113
Unrealized loss on foreign exchange	288,830	349
Accretion on environmental liability	1,877	2,272
Finance expense on loan from a director	-	2,529
Finance income accrued	(28,738)	(27)
Finance income received	29,731	27
Changes in working capital items		
Sales taxes receivable	(2,124)	(7,204)
Prepaid expenses and other	(6,622)	(5,481)
Accounts payable and accrued liabilities	83,604	258,161
Due to Reunion Gold Corporation	-	(14,773)
	<b>(2,136,488)</b>	<b>(279,680)</b>
<b>Investing activities</b>		
Acquisition of capital assets	(56,461)	-
Additions to exploration and evaluation assets (Note 4)	(88,250)	(112,510)
	<b>(144,711)</b>	<b>(112,510)</b>
<b>Financing activities</b>		
Loan from a director	-	343,066
Reimbursement of note payable (Note 5)	(27,500)	-
	<b>(27,500)</b>	<b>343,066</b>
Effect of exchange rate changes on cash held in foreign currency	260,815	(18,438)
Net change in cash	<b>(2,047,884)</b>	<b>(67,562)</b>
Cash, beginning of period	<b>14,061,705</b>	<b>156,382</b>
Cash, end of period	<b>12,013,821</b>	<b>88,820</b>
<b>Supplemental cash flow information</b>		
Finance expense included in exploration and evaluation assets	<b>438,076</b>	<b>77,723</b>

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited - in US dollars)

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## 1. GENERAL INFORMATION AND CHANGE IN PRESENTATION CURRENCY

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.

The Company has assembled a number of advanced-stage copper projects located in Michigan’s Upper Peninsula region, including the 100%-owned Copperwood project (the “Copperwood Project”), the White Pine project (subject to final closing pursuant to the May 2014 agreement with Copper Range Company (“CRC”), a wholly-owned subsidiary of First Quantum Minerals Ltd.) (the “White Pine Project”), and the Keweenaw project which hosts the 543S deposit and other target areas (subject to the exercise of an option to acquire a 65% interest in the project from BRP LLC) (the “Keweenaw Project”). Also, in May 2017, the Company acquired from subsidiaries of the Rio Tinto Group (“RTX”) a mineral property covering approximately 448,000 acres in the Upper Peninsula region (the “UPX Property”). To date, the Company has not earned significant revenues and is considered to be in the exploration and development stage.

All financial results in these unaudited condensed interim consolidated financial statements are expressed in US dollars unless otherwise indicated. Highland’s common shares are listed on the TSX Venture Exchange (the “TSXV”) under the symbol HI.

The Board of Directors approved these consolidated financial statements on November 22, 2017.

### *Change in presentation currency*

Prior to July 1, 2017, the Company reported its annual and quarterly consolidated statements of financial position and the related statements of comprehensive loss, shareholder’s equity and cash flows in Canadian dollars. Effective July 1, 2017, the Company decided to change its reporting currency to the United States dollar as all of the Company’s exploration and evaluation assets are located in the United States. This change will also facilitate the comparability of financial information with similar mining companies. In accordance with International Accounting Standard 21, *The Effects of Changes in Foreign Exchange Rates*, the consolidated financial statements for all periods presented have been translated into US dollars. The consolidated statements of comprehensive loss and the consolidated statements of cash flows for each period have been translated into the presentation currency using the average exchange rate prevailing during each period. All assets and liabilities have been translated using the exchange rate prevailing at the statements of financial position dates. Equity transactions have been translated at the exchange rate in effect on the date of the specific transaction. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income or loss. All comparative financial information has been restated to reflect the Company’s results as if they had been historically reported in US dollars.

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited - in US dollars)

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## 2. GOING CONCERN

To date, the Company has not earned revenues and is considered to be in the exploration and development stage. 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, including raising additional funds and completing the acquisition of the White Pine Project.

As is common with many exploration and development companies, the Company has relied on equity financing to fund its operations, including its investments in exploration and evaluation assets. The Company has incurred a net loss of \$2,699,366 during the three months ended September 30, 2017 and has a deficit of \$45,286,517 at September 30, 2017. The Company has a working capital of \$8,344,493 at September 30, 2017.

The Company will require additional funds to carry-out its planned exploration and development work and to provide for management and administration expenses for the next 12 months and to meet all existing commitments which are due after September 30, 2018. Although such funding requirements may be met in the future in a number of ways, including the issuance of securities, debt financing, joint venture or other arrangements, there is no assurance that the Company will be successful in raising such funds. Should the Company not be successful in raising additional funds, it may be required to delay, reduce the scope of, or eliminate its current or future exploration and development activities, and / or sell some of its assets, any of which could have a negative impact on the business, financial condition and results of operation of the Company.

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, in particular an impairment of exploration and evaluation assets, as well as adjustments to reported expenses.

## 3. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These unaudited 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, except for the change in the presentation currency to the US dollar described in Note 1. These unaudited 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, 2017 and 2016 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  
September 30, 2017 (unaudited - in US dollars)

## 4. EXPLORATION AND EVALUATION ASSETS

Amounts invested in exploration and evaluation assets are as follows:

	Copperwood Project	White Pine Project (1)	UPX Property	Other properties	Total
	\$	\$	\$	\$	\$
Balance at June 30, 2017	16,505,051	2,706,122	10,016,530	1,124,030	30,351,733
Property payments in cash	86,250	-	-	2,000	88,250
Finance expense	31,078	-	406,998	-	438,076
Effect of change in foreign exchange	-	-	-	40,411	40,411
	117,328	-	406,998	42,411	566,737
<b>Balance at September 30, 2017</b>	<b>16,622,379</b>	<b>2,706,122</b>	<b>10,423,528</b>	<b>1,166,441</b>	<b>30,918,470</b>
Balance at June 30, 2016	16,113,171	2,556,122	-	1,104,333	19,773,626
Property payments in cash	110,510	-	-	2,000	112,510
Finance expense	77,723	-	-	-	77,723
Effect of change in foreign exchange	-	-	-	(15,546)	(15,546)
	188,233	-	-	(13,546)	174,687
Balance at September 30, 2016	16,301,404	2,556,122	-	1,090,787	19,948,313

(1) The final closing of the acquisition of the White Pine Project, which initially was to occur by December 31, 2015, was extended to December 15, 2017. Should the Company not be able to meet the final closing conditions, it will not be able to complete the acquisition of the White Pine Project.



# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited - in US dollars)

## 5. NOTE PAYABLE

The note is payable to the Lessor of certain mineral rights located in White Pine, Michigan. It is reimbursable in thirteen remaining equal quarterly principal amounts of \$27,500, plus interest accruing at the rate of 8% per annum. The balance of the Note Payable was determined as follows:

	Three months ended September 30, 2017
	\$
Balance, beginning of period	385,000
Reimbursements	(27,500)
Balance, end of period	357,500
<b>At September 30, 2017</b>	
Current liability	110,000
Non-current liability	247,500
	357,500

## 6. PROMISSORY NOTE

The Company issued a US\$16 million secured non-interest bearing promissory note (the "Note") to RTX, as remaining consideration for the acquisition of the UPX Property, that provides for the payment of US\$1.0 million on the first anniversary of the acquisition (May 30, 2018) and US\$3.0 million on each of the second, third, fourth, fifth and sixth anniversary of the acquisition. The payments under the Note will be accelerated if Highland publicly releases a feasibility study covering any portion of the UPX Property. Given that the Note is non-interest bearing, the Company accounted for its estimated fair value using a discount rate of 20%. The balance of the Note was determined as follows:

	Three months ended September 30, 2017
	\$
Balance, beginning of period	8,005,760
Accretion included in exploration and evaluation assets, calculated at a rate of 20%	406,998
Balance, end of period	8,412,758
<b>At September 30, 2017</b>	
Current liability	880,054
Non-current liability	7,532,704
	8,412,758

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited - in US dollars)

## 7. BALANCE OF PURCHASE PRICE PAYABLE

The fair value of the remaining amount payable of \$1,250,000 due to Orvana Minerals Corp. on June 17, 2018 in connection with the acquisition of the Copperwood Project, was estimated using a discount rate of 20%. This amount may be paid by Highland to Orvana in cash or shares of Highland, at Orvana's option. The balance of purchase price payable is as follows:

	Three months ended September 30, 2017
	\$
Balance, beginning of period	1,139,767
Accretion included in exploration and evaluation assets	31,078
Balance, end of period	1,170,845

## 8. SHARE CAPITAL AND WARRANTS

### *Issued and fully paid*

At September 30, 2017 and June 30, 2017, the Company had 459,148,153 issued and outstanding common shares.

### *Share purchase warrants*

The following table sets out the activity in share purchase warrants:

Grant date	Number of warrants June 30, 2017	Granted	Expired	Number of warrants Sept 30, 2017	Price per share \$	Expiry Date
November 30, 2016	15,140,000	-	-	15,140,000	0.15	Nov 30, 2017
December 12, 2016	2,474,928	-	-	2,474,928	0.15	Dec 12, 2017
February 22, 2017	9,574,545	-	-	9,574,545	0.15	Feb 22, 2018
March 17, 2017	76,730,714	-	-	76,730,714	0.15	Mar 17, 2018
March 17, 2017	1,000,000	-	-	1,000,000	0.15	Mar 17, 2020
March 24, 2017	48,669,575	-	-	48,669,575	0.15	Mar 24, 2018
	153,589,762	-	-	153,589,762	0.15	
Average price	0.15	-	-	0.15		

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements  
**September 30, 2017** (unaudited - in US dollars)

## 9. STOCK OPTIONS

The following table sets out the activity in stock options:

	Three months ended September 30, 2017	
	Number	Weighted average exercise price (\$)
Options, beginning of period	7,455,000	0.48
Granted	9,025,000	0.11
Expired	(810,000)	(0.48)
Options, end of period	15,670,000	0.27

On August 28, 2017, the Company granted a total of 9,025,000 stock options to its directors, officers, employees and consultants. The stock options granted will vest over 2 years. The options have a five year term and are exercisable at a price of Can \$0.11 per share. On the grant date, the market price of the Company's shares was Can \$0.11. The fair value of the stock options was estimated at Can \$0.07 per option by applying the Black-Scholes option pricing model, using an expected time-period of 5 years, a semi-annual weighted-average risk-free interest rate of 1.5%, a volatility rate of 83% and a 0% dividend factor.

The following table reflects the stock options issued and outstanding at September 30, 2017:

Issue date	Number of options	Exercise price \$	Remaining contractual life (years)	Number of exercisable options	Exercise price of exercisable options \$
November 5, 2012	3,490,000	0.60	0.1	3,490,000	0.60
August 1, 2014	1,400,000	0.50	1.8	1,400,000	0.50
April 21, 2015	1,555,000	0.25	2.6	880,000	0.25
November 20, 2015	200,000	0.13	3.1	133,333	0.13
August 28, 2017	9,025,000	0.11	4.9	2,925,000	0.11
	15,670,000	0.27	3.3	8,828,333	0.38

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited - in US dollars)

## 10. EXPLORATION AND EVALUATION EXPENSES

The Company incurred the following exploration and evaluation expenses:

	Three months ended September 30,	
	2017	2016
	\$	\$
Drilling and assaying	559,591	-
Labour	488,427	136,232
Studies	536,330	2,500
Office, overhead and other administrative costs	224,523	146,733
	<b>1,808,871</b>	<b>285,465</b>

During the three months ended September 30, 2017, the Company entered into long-term lease agreements expiring in August 2021 which calls for minimum lease payments of \$163,255 for the rental of office and warehousing spaces. Minimum lease payments are \$75,975 in 2018, \$48,380 in 2019, \$33,400 in 2020 and \$5,500 in 2021.

## 11. MANAGEMENT AND ADMINISTRATION EXPENSES

The Company incurred the following management and administration expenses:

	Three months ended September 30,	
	2017	2016
	\$	\$
Administrative and general	203,206	140,621
Office	35,575	45,443
Professional fees	91,495	36,501
Investor relations and travel	25,945	1,388
Reporting issuer costs	8,373	992
	<b>364,594</b>	<b>224,945</b>

# Highland Copper Company Inc.

Notes to Condensed Interim Consolidated Financial Statements

September 30, 2017 (unaudited - in US dollars)

## 12. 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, 2017		
	Canada	USA	Total
	\$	\$	\$
Current assets	11,913,683	219,693	12,131,376
Capital assets	1,053	106,296	107,349
Exploration and evaluation assets	-	30,918,470	30,918,470
Total assets	11,914,736	31,244,459	43,157,195

  

	June 30, 2017		
	Canada	USA	Total
	\$	\$	\$
Current assets	14,077,348	91,063	14,168,411
Capital assets	1,318	57,135	58,453
Exploration and evaluation assets	-	30,351,733	30,351,733
Total assets	14,078,666	30,499,931	44,578,597

## 13. EVENT AFTER THE REPORTING DATE

### *Grant of stock options*

On October 26, 2017, the Company granted a total of 2,070,000 incentive stock options to a director, an officer and employees of the Company at an exercise price of Can \$0.17 per share. All of the stock options will be vesting over a period of two years and, if not exercised, will expire five years from the date of the grant.