HIGHLAND RESOURCES INC.

INTERIM FINANCIAL STATEMENTS

November 30, 2008

(Stated in Canadian Dollars)

(Unaudited)

THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE PERIOD ENDED NOVEMBER 30, 2008 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.

HIGHLAND RESOURCES INC.
INTERIM BALANCE SHEETS
November 30, 2008
(Stated in Canadian Dollars)
(Unaudited)

ASSETS

	November 30, 2008	May 31, 2008
Current		
Cash	**$ 196,097**	$ 354,702
GST receivable	**6,815**	2,093
Prepaid expenses – Note 5	**2,575**	-
Advances – Note 6	**57,500**	-
	262,987	356,795
Deferred acquisition costs – Notes 3 and 4	**33,918**	-
	$ 296,905	$ 356,795

LIABILITIES

Current		
Accounts payable and accrued liabilities	**$ 750**	$ 20,188

SHAREHOLDERS' EQUITY

Share capital – Note 4	**585,013**	518,845
Contributed surplus – Note 4	**25,897**	43,065
Deficit	**(314,755)**	(225,303)
	296,155	336,607
	$ 296,905	$ 356,795

Commitments – Notes 3 and 4

APPROVED ON BEHALF OF THE BOARD:

"Kent Kirby" Director — Kent Kirby

" Gary Arca" Director — Gary Arca

SEE ACCOMPANYING NOTES

HIGHLAND RESOURCES INC.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
for the three and six months ended November 30, 2008 and 2007
(Stated in Canadian Dollars)
(Unaudited)

	Three months ended November 30, **2008**	Three months ended November 30, 2007	Six months ended November 30, **2008**	Six months ended November 30, 2007
Expenses				
Accounting and office administration – Note 5	**$ 5,740**	$ 4,612	**$ 10,738**	$ 9,413
Audit fees	**4,167**	-	**4,167**	3,300
Bank charges and interest	**377**	91	**509**	154
Consulting fees	**7,350**	800	**9,550**	2,120
Legal and corporate services	**17,429**	5,951	**23,941**	16,865
Management fees – Note 5	**10,000**	-	**10,000**	-
Qualifying transaction investigation costs	**-**	-	**1,370**	5,621
Rent – Note 5	**5,703**	4,500	**10,203**	9,000
Shareholder communications	**1,581**	506	**1,656**	2,075
Stock-based compensation – Note 4	**-**	4,390	**-**	8,828
Transfer agent and filing fees	**8,712**	5,575	**16,820**	7,115
Loss for the period before other items	**(61,059)**	(26,425)	**(88,954)**	(64,491)
Other items				
Foreign exchange	**(1,653)**	-	**(2,189)**	-
Interest income	**611**	2,764	**1,691**	5,678
Net loss and comprehensive loss for the period	**(62,101)**	(23,661)	**(89,452)**	(58,813)
Deficit and accumulated other comprehensive loss beginning of the period	**(252,654)**	(133,574)	**(225,303)**	(98,422)
Deficit and accumulated other comprehensive loss, end of the period	**$ (314,755)**	$ (157,235)	**$ (314,755)**	$ (157,235)
Basic and diluted loss per share	**$ (0.03)**	$ (0.01)	**$ (0.04)**	$ (0.03)
Weighted average number of shares outstanding	**2,236,182**	2,050,000	**2,357,498**	2,050,000

SEE ACCOMPANYING NOTES

HIGHLAND RESOURCES INC.
INTERIM STATEMENTS OF CASH FLOWS
for the three and six months ended November 30, 2008 and 2007
(Stated in Canadian Dollars)
(Unaudited)

	Three months ended November 30,		Six months ended November 30,	
	2008	2007	**2008**	2007
Operating Activities				
Net loss for the period	**$ (62,101)**	$ (23,661)	**$ (89,452)**	$ (58,813)
Stock based compensation	**-**	4,390	**-**	(8,828)
	(62,101)	(19,271)	**(89,452)**	(49,985)
Changes in non-cash working capital balances:				
GST receivable	**(3,422)**	(8,831)	**(4,722)**	(6,858)
Prepaid expenses	**(2,575)**	-	**(2,575)**	102
Advances	**(57,500)**	-	**(57,500)**	102
Accounts payable and accrued liabilities	**(10,510)**	(8,054)	**(19,438)**	(8,090)
	(136,108)	(36,156)	**(173,687)**	(64,831)
Cash Flows used in Investing Activities				
Deferred acquisition costs	**(43,918)**	-	**(43,918)**	-
Cash Flows provided by Financing Activities				
Issuance of common shares	**59,000**	-	**59,000**	-
Increase (decrease) in cash during the period	**(121,026)**	(36,156)	**(158,605)**	(64,831)
Cash, beginning of the period	**317,123**	416,477	**354,702**	445,152
Cash, end of the period	**$ 196,097**	$ 380,321	**$ 196,097**	$ 380,321
Supplementary disclosure of cash flow information				
Cash paid for:				
Interest	**$ -**	$ -	**$ -**	$ -
Income taxes	**$ -**	$ -	**$ -**	$ -

Non-cash Transactions – Note 4

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations

The Company was incorporated in the Province of British Columbia on June 7, 2006 under the Business Corporations Act of British Columbia. The Company received acceptance from the TSX Venture Exchange (the "Exchange") for the Company's qualifying transaction described in its filing statement dated September 16, 2008. As such the Company is no longer considered a capital pool company and is listed as a Tier 2 issuer on the Exchange.

Note 2 Interim Reporting and Initial Adoption of Accounting Policies

While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with Canadian generally accepted accounting principles ("GAAP"). It is suggested that these interim financial statements be read in conjunction with the Company's May 31, 2008 annual financial statements.

These unaudited interim financial statements follow the same accounting policies and methods as the Company's most recent annual audited financial statements except for the initial adoption of the policies outlined below. Operating results for the six months ended November 30, 2008 are not necessarily indicative of the results that can be expected for the year ending May 31, 2009. The Company has adopted the following accounting policies during the period ended November 30, 2008:

Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Note 2 Interim Reporting and Initial Adoption of Accounting Policies – (cont'd)

Resource Properties – (cont'd)

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Asset Retirement Obligations

The Company follows the recommendations in CICA Handbook Section 3110 – "Asset Retirement Obligations" with respect to asset retirement obligations. Under Section 3110, legal obligations associated with the retirement of tangible long-lived assets are recorded as liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation. A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depreciation, depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion which is included in cost of sales and operating expenses.

It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The Company has only performed preliminary exploratory work on its mineral properties, and has not incurred significant reclamation obligations in the current year or prior periods.

Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at November 30, 2008.

(Stated in Canadian Dollars) – Page 3

Note 2 Interim Reporting and Initial Adoption of Accounting Policies – (cont'd)

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage and, as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended November 30, 2008. The Company is not subject to externally impost capital requirements

Note 3 Deferred Acquisition Costs

a) Summary of Expenditures

Montgomery Pass Property		**November 30, 2008**
Balance, beginning of period	$	-
Acquisition costs		
Property payments		**10,000**
25,000 common shares at $0.40		**10,000**
Expense reimbursements		**13,918**
Balance, end of period	**$**	**33,918**

b) Montgomery Pass Property

The Company entered into a letter of agreement with Desert Pacific Exploration Inc. ("Desert Pacific") dated June 24, 2008 to acquire 81 mineral claims (the "Claims") in Mineral County, Nevada (the "Acquisition"). Desert Pacific is a private company incorporated in Nevada, U.S.A.

Note 3 Deferred Acquisition Costs – (cont'd)

b) Montgomery Pass Property – (cont'd)

Pursuant to the letter of agreement, the Company may acquire a 100% undivided interest, subject to a 3% net smelter royalty ("NSR"), in return for reimbursement of Desert Pacific's costs related to the Claims, including filing fees and fees paid to maintain the Claims in good standing, (paid) and by paying US$247,500 in cash, issuing 775,000 shares and incurring exploration expenditures of US$3,850,000 as follows:

- US$10,000 (paid) and 25,000 common shares (issued) and incurring exploration expenditures of US$100,000 by September 25, 2009;
- US$20,000 and 50,000 common shares and incurring exploration expenditures of US$250,000 by September 25, 2010, to earn a 25% interest in the claims;
- US$40,000 and 100,000 common shares and incurring exploration expenditures of US$500,000 by September 25, 2011, to earn an additional 26% interest in the claims;
- US$80,000 and 200,000 common shares and incurring exploration expenditures of US$1,000,000 by September 25, 2012, to earn an additional 26% interest in the claims; and
- US$97,500 and 400,000 common shares and incurring exploration expenditures of US$2,000,000 by September 25, 2013, to earn the final 24% interest in the claims.

Pursuant to the Acquisition the the Claims are subject to a 3% NSR, half of which (1.5% NSR) may purchase by the Company for US$1,500,000. During the term of the Acquisition, the Company is responsible for maintaining the claims in good standing, including paying required taxes, fees and rentals, and completing necessary assessment work.

The Acquisition constituted the Company's Qualifying Transaction as such term is defined in the policies of the Exchange.

Note 4 Share Capital

a) Authorized:

Unlimited common shares without par value

(Stated in Canadian Dollars) – Page 5

Note 4 Share Capital – (cont'd)

b) Issued:

		Number	Amount
Balance, May 31, 2007		4,050,001	$ 516,932
Issued for cash pursuant to:			
Exercise of agents' warrants	- at $0.20	7,500	1,500
Transferred from contributed surplus on exercise of agents' warrants		-	413
Balance, May 31, 2008		4,057,501	518,845
Issued for cash pursuant to:			
Exercise of stock options	- at $0.20	195,000	39,000
Transferred from contributed surplus on exercise of stock options		-	17,168
Issued pursuant to property option agreement		25,000	10,000
Balance, November 30, 2008		**4,277,501**	**$ 585,013**

i) During the year ended May 31, 2008, the Company issued 7,500 common shares at $0.20, for proceeds of $1,500 pursuant to the exercise of agents' warrants.

ii) During the period ended November 30, 2008, the Company issued 195,000 common shares at $0.20, for proceeds of $39,000 pursuant to the exercise of stock options.

iii) During the period ended November 30, 2008, the Company issued 25,000 common shares pursuant to the letter of agreement with Desert Pacific Exploration Inc. ("Desert Pacific"). See Note 3. The value of these shares, $10,000, has been excluded from the statement of cash flows.

c) Commitments:

Stock-based Compensation

The Company, in accordance with the policies of the Exchange, is authorized to grant options to directors, officers, and employees to acquire up to 10% of common stock outstanding. Options may be granted for a maximum term of 5 years. Option shares originally vested in accordance with the vesting provisions as to one quarter of the options each three months. During the year ended May 31, 2008, the shareholders elected to remove all vesting provisions from the option plan. The Company expensed $23,059 representing the fair value of unvested options that were deemed to vest by the shareholders.

(Stated in Canadian Dollars) – Page 6

Note 4 Share Capital – (cont'd)

c) Commitments: – (cont'd)

In conjunction with its public listing, the Company granted 400,000 stock options (390,000 to directors and 10,000 to a registered charity). Each directors' option allows the holder to acquire an additional common share of the Company at $0.20 per share for a period of five years until September 22, 2011. The registered charity options are exercisable at $0.20 per share and expire on the earlier of August 20, 2016, or the 90th day following the date the charity ceases to be an eligible charitable organization.

The fair value of the 400,000 options granted was estimated to be $35,216 using the Black-Scholes option-pricing model with the following weighted average assumptions at date of grant:

Dividend rate	0%
Risk-free interest rate	4.06%
Expected life	5 Years
Expected annual volatility	44%

During the period ended November 30, 2008, the Company incurred $Nil (November 30, 2007: $8,828) for stock-based compensation expense.

During the period ended November 30, 2008, the Company transferred $17,168 from contributed surplus to share capital pursuant to the exercise of 195,000 stock options. This non-cash amount has been excluded from the statement of cash flows.

A summary of stock option activity during the periods ended November 30, 2008, May 31, 2008 and 2007 is as follows:

	Number Of Shares	Weighted Average Exercise Price
Granted	400,000	$0.20
Options outstanding, May 31, 2007 and 2008	400,000	$0.20
Exercised	(195,000)	$0.20
Options outstanding, November 30, 2008	**205,000**	**$0.20**

(Stated in Canadian Dollars) – Page 7

Note 4 Share Capital – (cont'd)

b) Commitments: – (cont'd)

At November 30, 2008, there were 205,000 stock options outstanding entitling the holders thereof to purchase one common share for each option held as follows:

Number of Shares	Number Exercisable	Exercise Price	Expiry Date	Contractual Life Remaining
195,000	195,000	$0.20	September 22, 2011	2.81 years
10,000	10,000	$0.20	September 22, 2016	7.82 years
205,000	205,000	$0.20		3.06 years

Agents' Warrants

A summary of warrant activity during the periods ended November 30, 2008, and May 31, 2008 is as follows:

	Number Of Shares	Weighted Average Exercise Price
Balance, May 31, 2007	150,000	$0.20
Exercised	(7,500)	$0.20
Balance, May 31, 2008	142,500	$0.20
Expired	(142,500)	$0.20
Balance, November 30, 2008	**-**	**N/A**

d) Contributed Surplus:

	Six months ended November 30, 2008	Year ended May 31, 2008
Balance, beginning of period	**$ 43,065**	$ 20,419
Stock-based compensation	**-**	23,059
Agents' warrants granted	**-**	-
Transferred to share capital on exercise of warrants	**-**	(413)
Transferred to share capital on exercise of options	**(17,168)**	-
Balance, end of period	**$ 25,897**	$ 43,065

Note 5 Related Party Transactions

During the period ended November 30, 2008, the Company paid rent of $10,203 (2007: $9,000), office administration fees of $4,500 (2007: $9,000) to a company with a director in common.

Included in prepaid expenses at November 30, 2008, is $2,575 for prepaid rent with a company with a director in common.

These transactions were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

Note 6 Advances

Advances include amounts paid pursuant to a property investigation.