

12 May 2015

Highlands Natural Resources ('Highlands' or 'the Company')
Strategy Update, Technology Acquisition and Advisory Board Addition

Highlands Natural Resources (HNR) is pleased to announce a positive update regarding the development of its portfolio since its Initial Public Offering in March 2015.

Highlights

- Discussions regarding the acquisition of the Company's first production asset in the US oil and gas sector are advanced
- Strategy broadened to include participation in the technology of oil field services industry to allow the Company to capitalise on prospective opportunities identified in this arena
 - Highlands to acquire a 75% stake in US based Diversion Technologies' ('DT') current patent applications both in the US and globally covering a new diverter well stimulation technology – known as "DT Ultravert"
 - The oil and gas industry is searching for a breakthrough in diversion technology to increase oil and gas production without the expense of drilling new wells - DT believes it may have such a breakthrough
 - Currently diverters are generally used by the industry as a method of enhancing the production of oil and gas from wells that have already been stimulated by hydraulic fracturing (fracking)
 - Highlands has entered into an Exclusive Heads of Agreement to acquire 75% of DT's pending patents in exchange for 1,900,000 Highlands' ordinary shares and 30 million warrants, exercisable at 25p (conditional upon all necessary regulatory approvals and appropriate disclosures or documentation being made to the UKLA)
 - Closing is expected to take place on or before 25 May 2015 subject to completion of the definitive agreement and Highlands due diligence
 - The acquisition will cover rights to any future DT patents for DT Ultravert
- Clay Terry, Marketing Director of Completion Technologies for major oilfield service company Halliburton, has joined the Highlands board of advisers

Highlands CEO Robert B. Price said, "We have identified a range of exciting oil and gas production acquisitions and oilfield service technology opportunities since listing in March and while we work hard to complete our first production acquisition as soon as practicable, we are delighted to have entered into this potentially transformational deal to acquire a 75% interest in DT's pending patents and rights to any future patents. Considering the potential upside available if the technology proves successful, and the low capex required to roll out this type of business, which has a royalty-based revenue structure, we believe this is an opportunity too good to miss. This technology trend will, in one form or another, reshape

an industry that is projected to earn over US\$1,100 billion (US\$1.1 trillion) during the patent's life and could be a disruptive force in the market. However, we are aware that the technology is still under development and have therefore ensured that the acquisition is structured to minimise dilution and cash outlay from shareholders. We look forward to providing further updates regarding this interest, and our forthcoming production acquisition, at the appropriate time."

Implementation of Strategy

Since listing in March 2015 the Company has been in discussions with a range of parties regarding acquisition of oil and gas assets which fit the Highlands strategy to acquire quality assets with stable income when oil prices are weak. These are progressing positively and the Company hopes to be in a position to update the market in due course.

During this process the Company has also identified value opportunities for technologies within the oilfield services industry and accordingly has broadened its strategy to allow it to capitalize on prospective opportunities within this sector. With this in mind, subject to completion of the definitive agreement and Highlands due diligence, the Company will acquire a 75% stake in the patents pending of US-based, Diversion Technologies' current patent applications with the US Patent Office and other international patent applications. DT has developed a re-fracturing well stimulation technology focused on a potentially more effective and cheaper method to stimulate conventional and unconventional formations, with less than 20% of the original costs currently associated with drilling and completing a well. The Board believes that "DT Ultravert" technology may open up acquisition and development opportunities for both Highlands and its peers alike due to the relatively low cost of the technology's application.

Diversion Technologies, Inc. and the Opportunity

Diversion Technologies, Inc. is a well stimulation technology company based in Colorado, USA. DT's pending patents involve a method for oilfield stimulation (fracking). Specifically, Diversion's pending patents diverter technology is called "DT Ultravert". Diversifiers are used by the industry as a method of enhancing conductivity during fracture treatment by diverting fluids to untreated portions of the reservoir. The oil and gas industry is searching for a breakthrough in diversion technology, and Diversion believes that with "DT Ultravert" it may have such a breakthrough. The industry's current diverter technologies are largely based on solid forms, whereas "DT Ultravert" technology is based on an inert gas form.

Well stimulation (fracking) is a US\$50 billion per year industry and re-stimulation is an emerging part of the industry due to the current depressed oil and gas pricing environment. Exploration and production ('E&P') companies are looking at ways of increasing oil and gas production without the expense of drilling new wells. Growth in refracking is expected to be significant in the next few years. Large service

companies that provide this technology are focused on developing diverting agents in order to gain market control and improve production performance for their customers, the E&P industry.

Diverter Technologies

Most diverter technologies are based on solid forms of diverters including chemical agents to divert fluids such as Halliburton's 'Access Frac' or Schlumberger's 'BroadBand' technology. The "DT Ultravert" pending patent technology method employs an elegant, simple, non-chemical based approach. The technology employs gas, a compressible fluid, to help divert or block liquid frac injectants from entering existing fractures. Gas is pumped ahead or alternating with, frac liquids, and serves to fill existing fractures. DT is in licensing discussions with major recognized oilfield service companies. DT believes it may be able to secure licensing agreements generally structured around DT and Highlands receiving initial license fees per oil and gas basin along with retaining royalties on a per use basis. In addition to these initial licensing fees, DT and Highlands will seek royalties of the total fracture stimulation cost per use of the technology. Presently approximately US\$50 billion annually is spent on fracking. The market share for the technology will depend on how it performs in each application, across many basins and many countries, both in primary (initial) and re-stimulation applications.

Terms of the Deal

Under the proposed Highlands / DT agreement, Highlands will acquire 75% of all outstanding patent applications and future applications filed by DT in exchange for one million nine hundred thousand (1,900,000) Highlands' ordinary shares and thirty million (30,000,000) warrants, exercisable at 25p (conditional upon all necessary regulatory approvals and appropriate disclosures or documentation being made to the UKLA). These warrants will not be exercisable until after 90 days from the completion of the transaction pursuant to the proposed contract. In addition, Highlands and DT will pay their respective 75%-25% share of all fees associated with the patent filings and additional patents filing in the US and other countries and marketing costs. Highlands and DT will receive their respective 75%-25% share revenues generated from licensing fees and royalty payments.

Related Party Transaction

Paul Mendell, the Founder of DT and the inventor of "DT Ultravert" is an advisory board member of Highlands. Robert B. Price is also a shareholder in DT.

Board Opinion

The Board cautions investors. Like all new technologies in the oil field, "DT Ultravert" may not be successful in every application. While in the Board's opinion, this technology is seemingly revolutionary,

it is currently unproven in the field. However, once proven, such technology would not be within the financial reach of Highlands. In light of how the acquisition was structured, mostly in the form “of out of the money warrants” and less than 10% dilution, the Board believes that the overwhelming upside potential merits the relatively minor dilutive effects. If the technology proves successful it would represent a disruptive force in the market and could generate significant inflows of future royalties and fees to Highlands, should the technology be applied as widely as hoped.

Advisory Board

Highlands is pleased to announce that Clay Terry has joined its board of advisers. Mr. Terry serves as the Marketing Director of Completion Technologies for Halliburton, a US based major oilfield Service Company.

For further information, please visit www.highlandsnr.com, or contact:

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