

11 August, 2017

**Highlands Natural Resources plc ('Highlands' or 'the Company')**  
**Commencement of Drilling at East Denver Oil and Gas Project**  
**and Admission of Ordinary Shares**

Highlands, the London-listed natural resources company, is pleased to announce that it has successfully mobilized and assembled a horizontal drilling rig at its East Denver Niobrara Project ("East Denver"), a shale oil and gas project in Colorado, and commenced drilling its first well on 10 August, 2017. Based on strong shareholder uptake in the Open Offer completed 31 July, which was not previously included in the Company's budgets, the Company has been able to achieve meaningful operational advantages by spudding two wells in series. The Company will first drill and set approximately 2,100 feet of surface casing for the Wildhorse 5-64 15-16-1BHZ ("Wildhorse"), which is designed to target the Niobrara B horizon, then immediately shift the rig to drill and set surface casing for the adjacent Powell 5-64-15-16-1CHZ ("Powell") well, which targets the deeper Niobrara C formation. The Company will then continue drilling out the remainder of the deeper Niobrara C Powell well, which will let the Company gain valuable data about the shallower Niobrara B on the way down. The well cost of the Powell and Wildhorse are essentially equal, and this enhanced drilling plan will allow Highlands to drill the remainder of the Wildhorse well in due course with the benefit of additional geologic data obtained in the Powell well.

Drilling and casing the Wildhorse's surface casing is expected to take several days, walking the rig to the Powell well will take approximately one day, then drilling operations for Powell are expected to last approximately two weeks with a targeted Total Depth ("TD") of 18,247 ft representing the total vertical and horizontal distance drilled in the well. The Company will update the market of significant milestones throughout this process.

Highlands will shortly upload photographs of the drilling rig and location under a new "Media" page on the Company's website.

**Highlights:**

- Wildhorse well spud on 10 August, and will drill and set surface casing to ~2,100 feet
- Subsequently, Powell well will spud with an estimated two-week drill-time to TD
- Company to benefit from additional geologic data obtained in the deeper Niobrara C well before drilling the shallower Niobrara B well
- Drilling rig employs state of the art equipment that is optimized for drilling the extended lateral wells designed for the East Denver Project
- Highlands has completed its pre-spud operational plans in collaboration with industry-leading consultants and contractors to minimize operational risks
  - Includes interpretation of 3D seismic data, well path design and drilling prognosis

- East Denver Project targets the proven Niobrara shale oil and gas reservoir
  - Successful horizontal wells are producing within two miles of Powell
  - Gross 1P Proved Reserves of 424,167 Barrels Of Oil Equivalent Per Well (most conservative case from RPS CPR dated 6 January 2017)
  - Gross 2P Proved plus Probable Reserves of 539,667 Barrels of Oil Equivalent Per Well (mean statistical case from RPS CPR dated 6 January 2017)
  - Wells offer potential rapid cash flow, with average anticipated payout period of 15-17 months (RPS CPR dated 6 January 2017)
- Highlands will release plans and updates regarding additional drilling in due course

**Highlands' Chairman and CEO Robert Price said,** "This is a major milestone for Highlands. Drilling is now underway at our first East Denver well, and I have the utmost confidence in Highlands' technical team as well as the group of industry-leading consultants who we have assembled around the East Denver Project. Given that our drilling location is located within two miles of highly productive horizontal wells in the Niobrara shale coupled with our third-party engineers' confidence in East Denver's reserves, we are incredibly excited to see the result of our first well in a potential 24 well drilling programme. If successful, we look forward to delivering our shareholders' first oil, first gas, and first revenue."

#### **Issue of Shares**

Highlands is also pleased to announce that certain of its professional advisers have agreed to accept new ordinary shares in lieu of cash fees, thereby enabling the Company to devote more of its cash resources to the East Denver Project. Pursuant to these agreements, application has been made for 1,800,000 new ordinary shares to be admitted to trading on the Official List of the UK Listing Authority by way of a Standard Listing and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that such admission will occur at 8.00 a.m. on 16 August 2017.

Following admission, the New Ordinary Shares will rank *pari passu* in all respects with the existing ordinary shares of 5 pence each in issue including the right to receive all dividends and other distributions declared and the total number of ordinary shares in Highlands with voting rights will be 96,705,084. This figure may be used by Highlands shareholders as the denominator for calculations to determine if they have a notifiable interest in Highlands under the Disclosure and Transparency Rules, or if such interest has changed.

THIS RELEASE CONTAINS INSIDE INFORMATION.

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### Notes to Editors

Highlands (LSE: HNR.L) is a London-listed natural resources company with a portfolio of high-potential oil, gas and helium assets and technologies. The company's core projects include:

- East Denver Niobrara: a farm-in opportunity for horizontal oil and gas wells targeting the Niobrara shale formation in a well-studied area of the Denver Julesburg Basin.
- DT Ultravert: a re-fracking and parent well protection technology with one patent granted and additional patents pending in the United States and internationally. Highlands is advancing commercial conversations with a range of oil and gas operators to create revenue-sharing opportunities for DT Ultravert applications.
- Helios Two: a 105,000+ acre helium and natural gas prospect in SE Montana with drilling and assessment operations ongoing.