

1 February 2018

**Highlands Natural Resources plc ('Highlands' or 'the Company')**  
**Helios Two Eagle Formation Test and Expanded Acreage Position**

Highlands, the London-listed natural resources company, is pleased to report natural gas production rates which intermittently peaked at up to 216 thousand cubic feet per day ("Mcfpd") from Helios Well 5-52 16-22. This follows a successful test of the Eagle Formation (the "Eagle Test") at its Helios Two natural gas and helium project in Montana. This test represents an important step towards commercialization of Highlands' growing land position in Montana which, following recent federal lease auctions, currently stands at 221,973 acres. This test also demonstrates the ability of hydraulic fracturing to increase production from the Eagle Formation, and is a step towards potentially commercializing the widespread Eagle Formation as a natural gas resource play.

**Summary**

- Helios Well 5-52 16-22 was stimulated in the Eagle Formation using a combination of water and foam-based stimulation techniques deployed into three stages
- Two of the three stages were opened for production testing while the third stage will be opened later in mid-2018 to observe the productivity impacts of long-term clay hydration
- Gas production rates peaked at equivalent to 216 Mcfpd marking the highest production rates yet achieved in the Helios Two project
- 116,488 acres in Carter, Custer and Fallon counties acquired through federal lease auctions bringing total acreage in Montana to 221,973 acres
- Competent Person Report in January 2017 indicated a "best estimate" NPV<sub>10</sub> of US\$341 million for the natural gas development project alone from only a 69,120 acre area and an additional 2.1 billion cubic feet of net attributable helium for this same area (not included in the NPV)
- Although the purpose of this exercise was to examine natural gas production rates in the Eagle Formation only, analyses in January 2017 performed at two independent gas laboratories confirmed the presence of 0.31% to 0.33% helium at Helios Two in the Muddy Formation - similar to the concentrations of helium exploited at the Hugoton Field in Kansas and Texas, the USA's largest helium resource

**Highlands' Chairman and CEO Robert Price said,** "The Eagle Formation was discovered to produce gas during our drilling of the first Helios Two well in H2 2016, which originally targeted the deeper Muddy Formation. The Company's recent tests, which used an existing wellbore, confirmed the Eagle Formation's ability to produce natural gas using hydraulic stimulation, and also helped refine our understanding of completion techniques that may unlock a widespread natural gas resource play. As such, Highlands has discovered a potentially significant gas resource in both the Eagle and Muddy formations. Although these tests do not yet establish the commerciality of production at Helios Two, this is an important step forward in the development of our Montana assets.

“With more than 220,000 acres secured, Highlands is now one of the largest oil and gas lease holders in the State of Montana and in addition to the significant gas play we have identified, we remain excited about helium potential in the Muddy Formation where concentrations similar to the helium exploited at the USA’s largest helium resource, The Hugoton Field, were indicated last year.

“In the meantime, following stabilization of the Wildhorse and Powell wells at our East Denver Project in December 2017 with an Initial Production rate of 1,771 BOEPD, I look forward to providing further updates with regards to scheduling of drilling subsequent wells in line with our strategy to fully develop the East Denver asset with up to 24 wells by using our combined commitment of up to US\$58.5 million from a leading US private equity oil and gas investment company and a leading oilfield services provider.”

THIS RELEASE CONTAINS INSIDE INFORMATION.

**\*\*ENDS\*\***

For further information, please visit [www.highlandsnr.com](http://www.highlandsnr.com), or contact:

Robert Price	Highlands Natural Resources plc	+1 (0) 303 322 1066
David Porter	Cantor Fitzgerald Europe	+44 (0) 20 7894 7000
Lottie Wadham	St Brides Partners Ltd	+44 (0) 20 7236 1177
Hugo de Salis	St Brides Partners Ltd	+44 (0) 20 7236 1177

#### **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 horizontal oil and gas project targeting the Niobrara shale formation in a well-studied area of the Denver Julesburg Basin. The Company is currently producing oil and gas from its first two wells in the project, completed in late 2017, and is planning to drill up to 22 additional wells.
- DT Ultravert: a re-fracking and parent well protection technology with four patents allowed and additional patents pending in the United States and internationally. Highlands is advancing commercial conversations with a range of oil and gas operators and service providers to commercialize DT Ultravert technology.
- Helios Two: a 220,000+ acre helium and natural gas prospect in SE Montana with drilling and assessment operations ongoing.