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ASX Announcement

ERIN RESOURCES SECURES OPTION TO ACQUIRE MEDICAL AND COSMETICS CANNABIS BUSINESS, MGC GLOBAL

- Erin Resources (ASX:ERI) has secured an exclusive option agreement to acquire 100% of the issued capital of Israeli based medical and cosmetic cannabis company, MGC Global Limited (MGC)
- MGC is strategically positioned via its unique cannabis strain to exploit the significant potential of the fast growing medical and cosmetic cannabis markets
- MGC's exclusive strain of "Cannabis Sativa" comprises highly attractive properties that yield higher cannabidiol (CBD) from smaller crops, with a very low THC component
- The unique genetic profile of this strain allows MGC to operate under a Sativa license (low THC), to legally grow and export CBD in many countries and accelerate commercialisation
- Skin care is an initial priority market for MGC, as Sativa based products have superior effectiveness given they can penetrate three layers of skin
- The CBD business model of MGC is highly scalable with respect to future production volumes and critically requires only low capital investment to support rapid growth
- The Company expects MGC to deliver significant near-term revenues upon securing a Sativa licence in the European Union (EU) and targeting first production in 2016
- MGC is operated by a high calibre team with extensive technical and commercial experience in the medical and cosmetics cannabis industry
- Discussions for a commercial off-take agreement to supply CBD resin to a major European distributor are underway
- The near-term newsflow pipeline - MGC will be active with material events for its business roll-out expected over the coming months

Erin Resources (**ASX:ERI** or the **Company**) is pleased to announce that it has entered into a binding heads of agreement under which it has the option to acquire 100% of the issued capital of MGC Global Limited (**MGC Global**).

Upon the Company exercising the option to acquire MGC Global within a six month time frame, the transaction will then be subject to shareholder approval and compliance with the ASX listing rules for re-admission.

The acquisition of MGC Global strategically diversifies and expands the operations of Erin into the significant and fast growing medical cannabis and cosmetics industries.

About MGC Global

MGC is an Israel based medical and cosmetics cannabis company, formed in early 2015 to specifically target the global potential of the fast growing medical and cosmetic cannabis markets utilising their industry experience, contacts and exclusive access to a unique CBD genetics strain.

Led by a world class Israeli team, with significant experience managing large and established medical cannabis companies, the MGC team has over collectively 40 years of industry experience in growing, cultivating, extracting and commercialising medical cannabis.

Unique Genetics (Sativa High CBD Seeds) Provides Key Competitive Advantages

MGC holds unique genetics consisting of a strain of “Cannabis Sativa” which comprises of very low Tetrahydrocannabinol (THC) at below 0.3% and a very high Cannabidiol (CBD) content in excess of 13%.

CBD is a non-psychoactive compound and is commonly used to treat many skin and health conditions including, acne, psoriasis, eczema and dry skin. High levels of CBD in a cannabis strain is highly sought after in the industry as it generates higher yield of cannabidiol (CBD) from a smaller distribution of cannabis.

Due to the unique composition of MGC’s genetics and the competitive advantage of licensing and growing its proprietary strain under a Sativa license, MGC has the potential to operate legally and distribute this unique CBD resin product in over 30 countries globally.

Importantly, this should enable accelerated commercialisation relative to many listed medical cannabis peers.

MGC are currently advanced in the process to secure a license to grow and produce its unique Cannabis Sativa product in the EU. Once secured, such a license will allow MGC to produce large volumes of CBD resin, to be exported throughout Europe initially and potentially to other global markets in the longer term.

Furthermore, discussions are underway for a commercial off take agreement between MGC and a large European distributor to supply CBD resin at attractive current market rates. CBD resin is a very high priced and sought after commodity, currently selling for circa €55,000 per litre in European markets for a 100% purity product.

Significant Market Opportunity

Cannabinoids are legal in 23 states in the USA and the medical cannabis market was estimated to be worth US\$2.7 billion globally in 2014. In Canada, the market for medical cannabis is expected to grow significantly in the next decade to mirror the recent growth in the US market, from US\$144m in 2014.

The initial target market for MGC and its unique high grade CBD resin is the European cosmetics industry. With a total market value estimated to be US\$270 billion in 2013, the cosmetics industry is worth over 100 times that of the medical marijuana industry for 2014. In Europe alone the cosmetics industry was estimated at \$70 billion in 2014.

Skin care is a key priority market for MGC as Sativa based products have superior effectiveness given they can penetrate three layers of skin

MGC Commercialisation Model

The commercial model for MGC is highly scalable with respect to future production volumes and requires only a modest low level of capital to support rapid growth. This is driven by the following key factors:

- MGC's Sativa strain contains a high proportion of CBD (>13%), requiring less produce and extract to produce substantial amounts of CBD resin
- Operating under a Sativa license allows MGC Global to accelerate faster with lower restrictions and lower cost base and with the potential to operate in over 30 countries
- The MGC Green House production facility to be established in the EU will require significantly less expenditure, compared to other companies operating indoor facilities. This is due to lower expenditure on facilities, energy and employees as indoor grow facilities by comparison are very capital and energy intensive operations
- The growing conditions for the Sativa strain are similar to that of hemp and more favourable than that of medical cannabis, requiring significantly less space to grow

MGC Key Operational Milestone Targets- Next 12 Months

- Secure license to grow Cannabis Sativa in the EU in Q3 2015
- Secure commercial offtake agreement with a large EU distributor to supply CBD resin in Q3 2015
- Establishment of growing operation and planting of first crop in H2 2015
- First harvest and extraction of CBD resin in 2016
- First sales and revenue generation for the business in H2 2016

MGC Management Team

Co-Founder and Managing Director

Mr Nativ Segev, co-founder and Managing Director of MGC Global, has extensive pharmaceutical and medical cannabis production expertise. Previously Mr Segev was CEO of Cann Pharmaceuticals, Israel's second largest licensed medical cannabis company and one of the only organic and chemical free producers. Mr Segev led the company from start-up through to completion of a large US\$25m private equity investment. With his specialist background in the development and production of medical grade cannabis, Mr Segev is strategically positioned to successfully execute the Company's business strategy.

Co- Founder and Director of Business Development

Mr Segev is joined by co-founder Roby Zomer, Director of Business Development for MGC Global. Mr Zomer brings a wealth of industrial cannabis Sativa extraction experience. He shares the Company's vision of building a large scale European extraction facility together with Cosmetics products, and has the necessary skills and ability to execute the business strategy. Mr Zomer also has extensive commercial business contacts in the European and USA in the cosmetic industry, which positions the Company well to drive further growth and distribution across Europe and USA.

Chief Agronomist

Mr. Yaron Blubshtin – a Chief Agronomist in the advisory board of the team, holds 45 Years of cannabis cultivation experience. Mr. Blubshtin is one of the most experienced growers in the world, with years of active experience in each and every phase of the commercial scale of cannabis production. Mr Blubshtin will play an active and critical role in MGC by leading the agronomical side of the business. Mr. Blubshtin is also a Co-founder of Cannodoc Ltd, an Israeli company with a license from the Israeli Ministry of Health to manufacture, grow, harvest, sell and distribute medical Cannabis in any form (including seeds, seedlings, oil, pastes, etc.), to Israeli patients.

Transaction Overview

Erin Resources Limited has signed a binding Heads of Agreement (HOA) to acquire 100% of the issued shares in MGC Global Limited (MGC) under an option (Option) to purchase.

The Option may be exercised within six months by Erin Resources from the date of the HOA execution. The exercise of the Option at the election of Erin will trigger the formal acquisition process and a full re-compliance with the ASX listing rules.

The consideration payable by Erin for the acquisition of MGC Global at settlement is as follows:

- a) US\$25,000 in cash on exercise of the Option
- b) 100,000,000 fully paid ordinary shares;
- c) 100,000,000 Class A Performance Shares upon MGC obtaining all necessary regulatory licenses and approvals necessary to operate a commercial Sativa growing operation and produce CBD with MGC having ownership of greater than 80% of such European Union entity within two years of Settlement; and
- d) 100,000,000 Class B Performance Shares upon MGC or one of its subsidiaries securing an off-take agreement to sell commercial quantities of CBD oil that contains a minimum purity of 50% CBD and/or other MGC products, and achieving first revenue within three years of Settlement.

Settlement of the Acquisition is conditional upon the satisfaction of conditions precedent that are standard for an ASX listed company, including but not limited to obtaining Erin shareholder approval, satisfying the ASX listing rules for a chapters 1 & 2 re-compliance and completion of due diligence on the MGC company, assets, property and business plan. On settlement of the Transaction, two nominees from MGC will be invited to join the Board of Directors of the Company.

If the Conditions Precedent are not satisfied (or waived by mutual agreement) on within six (6) months from the date of the HOA (or such later date as MGC and Erin may agree) then either Party may terminate this agreement by notice in writing to the other Parties.

Capital Raising

The Company is undertaking a \$500,000 capital raising through a share placement to 708A exempt investors of 50,000,000 ordinary shares at 1 cent each. The funds raised through the placement will be used for ongoing operations, administrative costs, working capital, due diligence on the MGC business and transaction consideration costs.

The investors in the placement will also receive one (1) unlisted 2.5 cent option for every two (2) shares applied for. The Company will separately announce details of this capital raising and allotment.

Pro-forma Capital Structure Post Transaction

The pro-forma capital structure of the Company post transaction is summarised below:

	Ordinary Shares	Listed Options	Performance Shares
Current issued capital ⁱ	322,134,917	135,451,635 ⁱⁱ	Nil
Proposed issue of Placement Securities ⁱⁱⁱ	50,000,000	Nil	Nil
Proposed issue of Vendor Consideration Securities	100,000,000	Nil	200,000,000 ^{iv}
TOTAL	472,134,917	135,451,635	200,000,000

Notes:

- i. The Company also currently has 28,500,000 Unlisted Options on issue
- ii. The Listed Options are exercisable at \$0.02 expiring on or before 30 June 2015
- iii. The Company will also issue 25,000,000 free attaching Unlisted Options at \$0.025 cents expiring on or before 30 June 2017 with the Placement Shares
- iv. This includes 100,000,000 Class A Performance Shares and 100,000,000 Class B Performance Shares

During the Option period, the Company will complete a detailed due diligence review of MGC and its business operations, and monitor the progress on the key operational milestones for MGC to move to its first production and revenue in 2016. The Company will keep its shareholders and the market fully informed on any material events during the Option period.

Should the Company exercise the option to acquire MGC the acquisition of MGC will constitute a change in the nature and scale of the Company’s activities pursuant to Chapter 11 of the ASX Listing Rules. The Company will accordingly be required to obtain shareholder approval for the change and also to re-comply with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules. Erin Shares will be suspended from the commencement of trading on the day of the shareholder meeting convened for the purposes of shareholder approval of the change in the nature and scale of Erin’s activities, pending re-compliance with the ASX Listing Rules.

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For further information please contact:

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