



ABN 30 116 800 269

Level 7, 1008 Hay Street  
Perth WA 6000  
PO Box 7209  
Cloisters Square WA 6850

Ph +61 8 9389 2000  
Fax +61 8 9389 2099  
info@erinresources.com

Erin Resources Ltd (ASX: ERI) soon to be renamed MGC Pharmaceuticals Ltd

---

30 October 2015

## September 2015 Quarterly Report

- Option exercised to acquire 100% of MGC Pharmaceuticals (MGC)
- Completion of \$2.7 million capital raising secured through fully underwritten exercise of ERI options, at \$0.02 each, to fund the transaction costs and initial operating capital of MGC Pharmaceuticals
- Appointment of Dr Ross Walker as Non-Executive Director of MGC - a highly regarded Cardiologist and media commentator in Australia
- Dr Walker has also been appointed as the Chairman of MGC's Strategic Advisory Board, which is mandated to facilitate strategic CBD research and commercial opportunities within Australia
- ASX waiver secured to complete the acquisition of MGC without any additional fund raising required for ASX re-compliance and relisting
- MGC's first Slovenian high grade CBD Cannabis Sativa L crop on track to be planted in April 2016 - during the northern hemisphere spring with first harvest scheduled for July 2016
- Development phase completed for first batch of MGC's own line of Cannabidiol (CBD) based cosmetic products
- MGC's initial CBD based cosmetic product range set to be available for commercial launch in Q4 2015 - first sales and revenues scheduled for December 2015

Erin Resources Ltd (ASX: ERI or the Company, soon to be renamed MGC Pharmaceuticals Ltd) is pleased to report on the Company's activities for the quarter ended 30 September 2015.

### Corporate

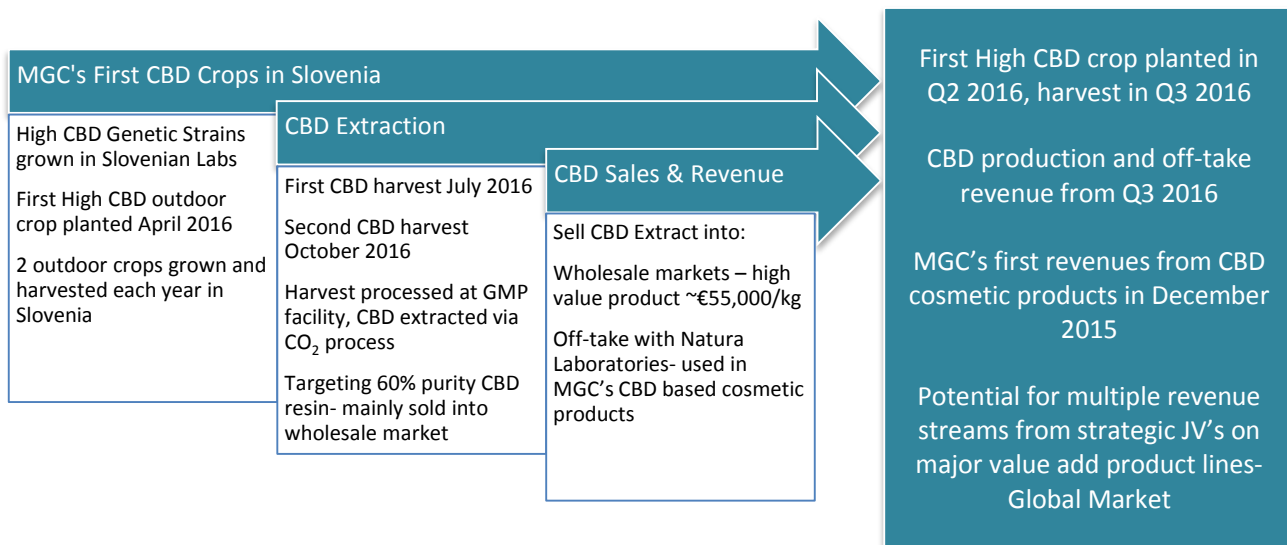
During the quarter the Company exercised the option to acquire 100% of the issued capital of medical and cosmetic cannabis Company MGC Pharmaceuticals (MGC), to strategically diversify the Company's operations into the rapidly growing cannabis and cosmetics industries.

The Company successfully completed a \$2.7 million capital raising secured through a fully underwritten exercise of ERI options at \$0.02 each, arranged by the Company's lead brokers Merchant Corporate and Calibre Investments. The raising provides the Company with sufficient working capital to complete the acquisition of MGC and provides the initial working capital for MGC operations to be fast tracked immediately following settlement.

An ASX waiver was also granted to Erin Resources to complete its acquisition of MGC with no further fund raising required to complete re-compliance and relisting on the ASX, post shareholder approval on 16 November 2015.

### Cash Position at 30 September 2015

The Company had a closing cash balance of \$2.1m at 30 September 2015.



**MGC Business Model – From CBD Genetics to Sale of CBD Resin, & Potential for Multiple High Value Add Revenue Streams**

**Operational**

Establishing Growing Operations to Enable All Year Round Production

During the June quarter MGC Pharmaceuticals secured key commercial licenses to grow, process, import and export Cannabis Sativa L (Hemp) and its products, including Cannabidiol (CBD) resin in Slovenia, Europe through the execution of an option agreement with a Slovenian company. In the September quarter MGC secured further licenses to grow its unique high CBD Sativa L Cannabis strain in Namibia through an option with a Namibian based company. These licenses provide MGC with the immediate ability to grow an unlimited amount of product for processing and trade in Namibia, and year round production.

The license in Namibia potentially forms a key part of MGC’s strategy to establish operations in both the Northern and Southern hemispheres. Depending on future legislation changes in Australia, the location of MGC’s growing operations in the Southern Hemisphere may be located here. Taking advantage of optimal growing conditions in all seasons would enable MGC’s unique high CBD yielding Cannabis Sativa L strain (approximately 13% CBD) to be grown 365 days of the year, providing strong operating cash flows to the business on an annualised basis.

MGC have been encouraged by the strong support from the Namibian Government who welcome the investment in the region, and more recently the recently announced intentions to fast track legislation changes on medical cannabis at State and Federal government levels in Australia.

Development of First Products Complete – Sales Scheduled For December 2015

During the quarter MGC and its Joint Venture partner Natura Laboratories (Natura), completed the development phase for the first batch of its own line of cannabidiol (CBD) based cosmetic products and will be launching an initial range of 15 products in Q4 2015, with first sales scheduled for December 2015.

The initial 15 product launch will total 7,500 units with an estimated sales value of \$500,000. Negotiations are currently underway between MGC management and a number of potential global distribution partners for the full product line once it is in production during H1 2016. The initial line of 15 CBD based products developed include facial serums and creams, eye serums, soaps and toners and cleansing milks.

## **Current Status and Outlook 2016**

The completion of the acquisition of MGC during November 2015 will enable the Company to fast track the construction and development of its initial operating facilities in Slovenia that includes the CBD genetics laboratories, extraction facilities and first greenhouses. MGC has also recently secured the land which has excellent existing infrastructure for its initial growing facilities and greenhouses.

MGC remains on track to plant its first high CBD Cannabis Sativa L crop in April 2016 during the northern hemisphere spring and harvest in July 2016. A second crop rotation will then be planted immediately post and harvested in October 2016.

MGC has an initial CBD offtake agreement in place with Natura Laboratories for approximately \$15m per annum for a minimum of 4 years. Negotiations on further CBD offtake contracts will be materially advanced in early 2016 once the Company moves towards its first crop in Q2 2016.

MGC have now developed a strong, initial CBD cosmetics product pipeline with their cosmetics JV partner Natura. The initial 15 products will be launched by December 2015 and a further 40 products are currently in development which will be manufactured and distributed according to the demand experienced for the first batch of cosmetic products.

MGC is also developing a number of over-the-counter (OTC) CBD based dermatological products as part of its proprietary medical cannabis product range. Its initial CBD skin care formula has completed first stage testing and demonstrated excellent results following successful testing with Psoriasis patients. MGC will shortly commence the next phase of testing with the final testing phase to take place in Q1 2016.

Post the end of the quarter MGC announced it is to commence an investigative study into medical cannabis opportunities within Australia following the recent regulatory shift in Victoria and moves by the Federal Government to introduce laws to license growers.

The Company has also announced the appointment of Dr Ross Walker, renowned Cardiologist and media commentator, as a new Non-Executive Director of MGC Pharmaceuticals and to be Chairman of its Strategic Advisory Board. The appointment will occur following the Erin shareholder meeting to approve the acquisition, which will be held on 16 November 2015.

Dr Ross Walker's appointment adds significant medical credibility to the Board and Executive of MGC, will help drive commercial opportunities for MGC in the medical cannabis sector that will flow from regulatory reform within Australia, placing MGC at the forefront of the rapidly emerging medical cannabis industry in Australia.

## **Senegal Gold Project**

Exploration activity in Senegal has been halted due to the monsoonal wet season in West African running through the September Quarter.

As part of the strategic and technical review undertaken on the Company's project interests in Senegal during the period, the Company relinquished its earned interests and ongoing funding obligations on its lower priority Wassadou South (77.5%) gold prospect. The Company still retains between an 80-100% interest in 5 gold projects in Senegal.

### Tenements Located in the Republic of Senegal as at 30 September 2015

Permit No.	Permit Title	Area (km <sup>2</sup> )	Issued	Region	Erin Ownership
07786	Garaboueya (south portion)	36.6	13/08/2009	Kedougou	80%
01814	Woye	94.4	26/02/2010	Kedougou	80%
10332	Bouroubourou	139.7	01/12/2010	Kedougou	80%
10333	Lingokoto	120.5	01/12/2010	Kedougou	80%
650	Youboubou	110.5	20/5/2015	Kedougou	100%

### New Tenements in the Republic of Senegal during the Quarter

Nil

### Tenements relinquished in the Republic of Senegal during the Quarter

Permit No.	Permit Title	Area (km <sup>2</sup> )	Issued	Region	Erin Ownership
12907	Wassadou South	49.9	18/11/2011	Kedougou	0%

-Ends-

### For further information please contact:

#### Media Enquiries

Asher Moses  
 Director  
 Media and Capital Partners  
 +61 438 008 616  
[Asher.moses@mcpartners.com.au](mailto:Asher.moses@mcpartners.com.au)

#### Erin Resources Limited

Brett Mitchell  
 Executive Chairman  
 +61 8 9389 2000  
[info@erinresources.com.au](mailto:info@erinresources.com.au)

### About MGC Pharmaceuticals

MGC Pharmaceuticals (MGC) is EU based medical and cosmetic cannabis company with over many years of technical and commercial experience in the medical and cosmetics cannabis industry. The Company's founders were key figures in the Israeli medical cannabis industry and the core business strategy is to develop and supply high quality non-psychoactive Cannabinoid resin extract ("CBD") to the growing European cosmetics and medical markets.

### About Erin Resources – Acquisition of MGC Pharmaceuticals

Erin Resources executed a binding heads of agreement with the option to acquire 100% of the issued capital of MGC Pharmaceuticals, as announced on 18 May 2015. The Option has been exercised and the Company has called a shareholder meeting to approve the acquisition on 16 November 2015, including the Company's name change to MGC Pharmaceuticals Ltd.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

ERIN RESOURCES LIMITED

ABN

30 116 800 269

Quarter Ended ("Current Quarter")

30 SEPTEMBER 2015

### Consolidated statement of cash flows

Cash flows related to operating activities		Current Quarter \$A'000	Year to Date (3 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(117)	(117)
	(b) development	-	-
	(c) production	-	-
	(d) administration & staff	(275)	(275)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Deferred corporate administration costs	(129)	(129)
	<b>Net Operating Cash Flows</b>	<b>(510)</b>	<b>(510)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other: Due Diligence and Transaction costs	(365)	(365)
	<b>Net investing cash flows</b>	<b>(365)</b>	<b>(365)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(875)</b>	<b>(875)</b>

1.13	Total operating and investing cash flows (brought forward)	(875)	(875)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	2,709	2,709
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Capital raising costs (underwriting fee)	(134)	(134)
	<b>Net financing cash flows</b>	<b>2,575</b>	<b>2,575</b>
	<b>Net increase (decrease) in cash held</b>	<b>1,700</b>	<b>1,700</b>
1.20	Cash at beginning of quarter/year	437	437
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	<b>Cash at end of quarter</b>	<b>2,138</b>	<b>2,138</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current Quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	76
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions.

Amount includes payment of accrued and September quarter Director fees and reimbursed travel costs.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount Available \$A'000	Amount Used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-
3.3 Convertible note	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and Evaluation	35
4.2 Development	-
4.3 Production	-
4.4 Administration	260
<b>Total</b>	<b>295</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current Quarter \$A'000	Previous Quarter \$A'000
5.1 Cash on hand and at bank	2,115	415
5.2 Deposits at call	23	22
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,138</b>	<b>437</b>

### Changes in interests in mining tenements

	Tenement Reference	Nature of Interest (note (2))	Interest at beginning of quarter	Interest at end of Quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	12907	Relinquishment of Wassadou South	77.5%	Nil
6.2 Interests in mining tenements acquired or increased	N/A	N/A	N/A	N/A

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total Number	Number Quoted	Issue Price per Security (see note 3) (cents)	Amount Paid Up per Security (see note 3) (cents)
7.1 <b>Preference *securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	507,586,552 (includes 13,000,000 VHL shares)	507,586,552 (includes 13,000,000 VHL shares)		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	135,451,635	135,451,635	\$0.02	Fully Paid
7.5 <b>*Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	4,000,000 1,000,000 500,000 500,000 36,250,000 11,250,000	Nil Nil Nil Nil Nil Nil	<b>Exercise Price</b> \$0.20 \$0.30 \$0.35 \$0.40 \$0.025 \$0.04	<b>Expiry Date</b> 30 June 2017 23 Jan 2018 23 Jan 2018 23 Jan 2018 30 June 2017 30 June 2017
7.8 Issued during quarter				
7.9 Exercised during quarter	135,451,635	135,451,635	\$0.02	30 June 2015
7.1 Expired during quarter 0				
7.1 <b>Debentures</b> 1 <i>(totals only)</i>				
7.1 <b>Unsecured notes</b> (totals 2 <i>only)</i>				



## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



**Brett Mitchell**  
Executive Chairman

Date: 30 October 2015

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.