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20 July 2015

## June 2015 Quarterly Report

- Erin Resources secured the option to acquire 100% of MGC Pharmaceuticals Ltd (MGC), a European medical and cosmetic cannabis company
- Acquisition of MGC will see Erin diversify its operations into the rapidly growing, global medical cannabis market
- MGC now secured key licenses in Slovenia to grow, process and extract, import and export Cannabis Sativa L (Hemp), and related CBD products, into European Union markets
- \$60,000,000 initial CBD off-take agreement signed - delivery of a minimum of 300kg of Cannabidoil (CBD) extract per year, 4 year minimum term
- Strategic CBD cosmetics joint venture agreement signed with Natura Laboratories - develop CBD cosmetic and OTC medical products
- Capital raising of \$500,000 completed, with an additional \$2.7m in working capital secured through underwriting of 2.0c listed options - completed in July
- Company enters H2 2015 in a strong financial position, set up to accelerate its path to commercialisation and first cashflows from initial operations in H1 2016

Erin Resources (ASX:ERI) is pleased to provide the following report on the Company's activities for the quarter ended 30 June 2015.

### Cash Position at 30 June

The Company had a closing cash balance of \$437k at 30 June 2015.

### Corporate

During the quarter the Company announced it had secured the option to acquire 100% of the issued capital of medical cannabis Company MGC Pharmaceuticals (MGC) Ltd, a European medical and cosmetic cannabis company. This acquisition will strategically diversify the Company's operations into the rapidly growing medical device, products and cosmetics industries.

Erin Resources also completed a working capital raising of \$500,000 during the quarter. The placement of 50,000,000 Shares at \$0.01 to sophisticated professional investors was successfully completed on the 18 May 2015. For every two shares subscribed the Company issued one free attaching unlisted option exercisable at \$0.025 on or before 30 June 2017.

The Company recently secured \$2,709,033 in additional new funding through the execution of an underwriting agreement for the conversion of 135,451,635 listed 2.0 cent options expiring on 30 June 2015 Merchant Corporate Finance Pty Ltd as announced on 30 June 2015. Merchant and Calibre Investments are joint Lead Managers and Corporate Advisers to the Company in support of the proposed acquisition of MGC.

On 14 July 2015 the Company announced the issue of 123,418,924 ordinary shares pursuant to the Underwriting Agreement with Merchant Corporate Finance Pty Ltd and relevant sub-underwriting agreements, which has raised \$2,468,378 (before costs). The issue of the Shares, together with the issue of shares on 9 July 2015 to the ERIOB holders who exercised their options, has delivered approximately \$2,709,033 (before costs) to the Company, augmenting its existing working capital.

With the \$2.7m option underwriting completed, the Company is in a strong position to progress with its proposed acquisition of MGC, subject to Shareholder approvals and satisfying the ASX listing rules for Chapters 1 & 2 re-compliance upon the completion of its due diligence processes currently underway.

## **Operational**

### **MGC Pharmaceuticals- Initial \$60m CBD Offtake Signed, CBD Production and Sales Licenses Secured In EU**

During the June quarter MGC Pharmaceuticals was granted key commercial licenses to grow, extract, import and export Cannabis Sativa L (Hemp) and its products, including Cannabidoil (CBD) resin in Slovenia, and distribution throughout Europe. The first license enables MGC to establish a growing operation in the region. Importantly, the license allows MGC to produce an unlimited amount of Cannabis *Sativa L*. Further to the license to grow the Cannabis *Sativa L* MGC has also been granted a license to extract and export the Cannabidoil (CBD) resin from the Cannabis *Sativa L* at the Slovenian growing facility.

MGC signed an initial \$60,000,000, 4 year minimum CBD off-take agreement with Natura Laboratories Ltd (Natura), immediately accelerating the commercialisation timetable of MGC and revenue streams. The agreement is for the supply of a minimum of 300kg of CBD resin per year at least 4 years for use as the base product in cosmetic and medical device products. Additional offtake agreements are currently being reviewed by MGC executives to cover the majority of its planned production volume when at current full scale operational capacity in H2 2016.

MGC also made significant progress during the quarter executing its strategy in the medical and cosmetics products markets with the execution of a strategic joint venture for the research and development of CBD based cosmetic products, food supplements and over-the-counter medical devices with Natura. The agreement expands MGC's business model, being able to vertically integrate from its CBD production business to develop with Natura its own range of cosmetics and OTC medical device products at extremely high margins, and importantly positions MGC to achieve first revenues in H1 2016.

As part of its Cosmetics JV with Natura, MGC is developing numerous CBD based formulas and products for the treatment of various skin ailments including Acne and Psoriasis. The first phase testing commenced during the June quarter and has shown positive initial results. The JV has selected several (50+) formulas to progress to the second phase of product trials, which includes a two-three month trial with human volunteers and further formulating of the product. MGC anticipates the final testing phase to commence in H2 CY2015 with the targeted launch of initial CBD skin care products expected in early 2016.

### **Senegal Gold Operations**

Erin currently owns a 77.5-100% equity interest in six (6) strategically located gold permits in Senegal. All the Company's projects lie within the Kedougou inlier that extends over eastern Senegal and along the country's western border with Mali. There are four multi-million ounce gold deposits discovered within 25km of Erin's projects: Loulo (12Moz), Masawa (3.5Moz), Petowal (1.4Moz) and Oromin (3.7Moz), demonstrating the potential for commercial discovery in the district.

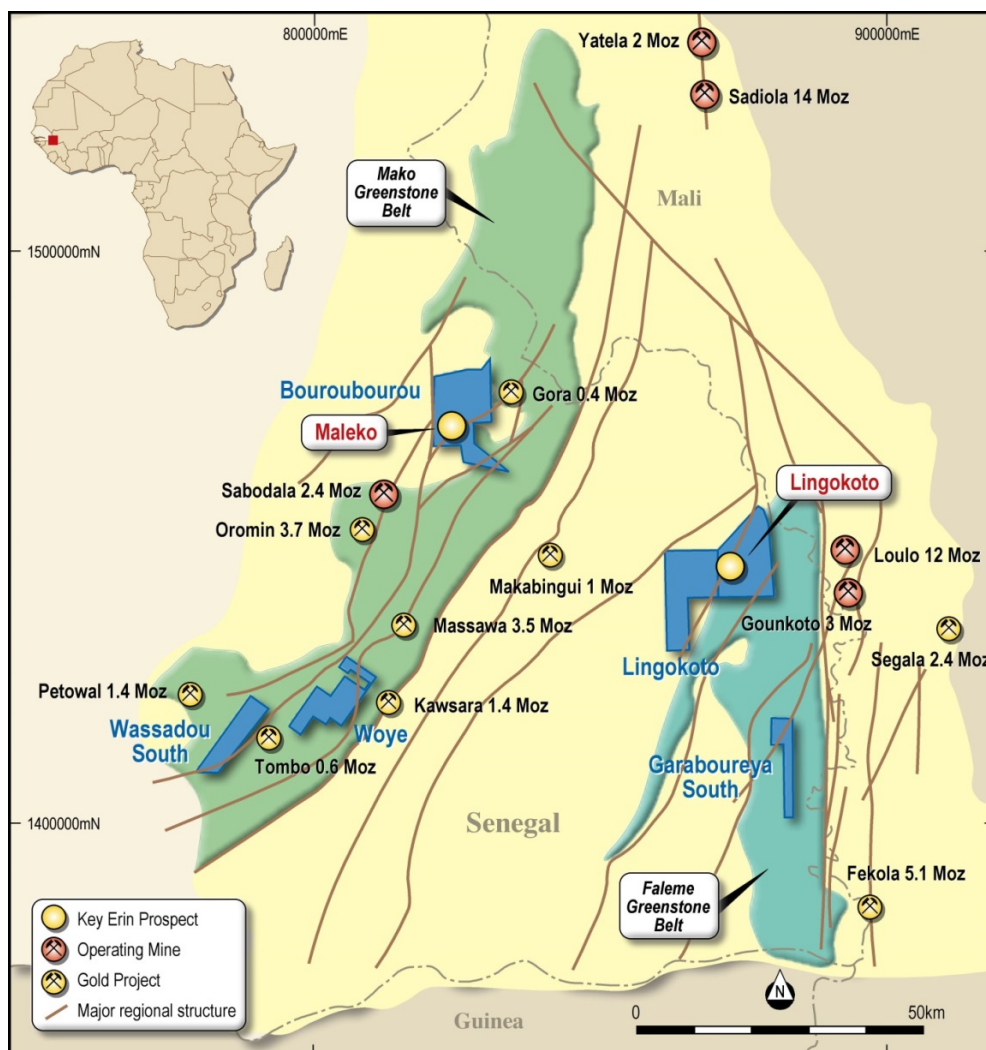


Figure 1. Regional Plan Senegal Permits and Location of Lingokoto Permit

**Grant of Youboubou Exploration License (100%)**

During the Quarter the Company was awarded grant of an additional permit adjoining the Lingokoto project. This has added a further 1.4km of prospective geology along strike from the promising Lingokoto discovery, where widely spaced first-pass aircore drilling during 2014 returned results to 6m @ 51.50g/t, and 12m @ 2.14g/t Au. Initial soil sampling on the Youboubou permit has defined several >15ppb Au anomalous trends that represent the continuation of the Lingokoto soil anomaly. Infill sampling will be carried out here in coming months.

**Exploration Programs Completed in June Quarter**

On the Bouroubourou project area, located near Teranga’s Sabadola gold mine, step-out soil sampling was carried out over an untested area south of the Maleko drill-target, successfully identifying several anomalous trends flanking a granitoid intrusion. Field investigation of a 1km long >20ppb soil anomaly containing individual results to 1420ppb Au (1.42g/t Au) has located several localised outcrops of silica-pyrite veined sediments exposed through cover material. Rock-chip traverses over the outcrops returned promising results including 2m @ 15.7g/t Au and 2m @ 1.78g/t Au, and spot sample results between 0.10 and 7.35g/t Au.

This prospect is now emerging as the second priority drill-target to complement the lead Maleko gold prospect. Additional field work will continue over this target and new anomalous trends on the permit. New field work programs were also carried out at the Garaboureira and Woye permits, identifying previously undocumented artisanal workings. Both permits have undrilled soil anomalies and will receive additional mapping and sampling in H2 2015.

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

| Permit No. | Permit Title                 | Area (km <sup>2</sup> ) | Issued     | Region   | Erin Ownership |
|------------|------------------------------|-------------------------|------------|----------|----------------|
| 07786      | Garaboureira (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%            |
| 12907      | Wassadou South               | 49.9                    | 18/11/2011 | Kedougou | 77.5%          |
| 650        | Youboubou                    | 110.5                   | 20/5/2015  | Kedougou | 100%           |

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

| Permit No. | Permit Title | Area (km <sup>2</sup> ) | Issued    | Region   | Erin Ownership |
|------------|--------------|-------------------------|-----------|----------|----------------|
| 650        | Youboubou    | 110.5                   | 20/5/2015 | Kedougou | 100%           |

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

NIL

### Competent Persons Statement

The information in this document that relates to Exploration Results is based on information compiled or reviewed by Mr Nick Castleden who is a member of the Australian Institute of Geosciences. Mr Castleden is a full time employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castleden consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

Exploration results referring to Lingokoto have been previously disclosed by Erin Resources in accordance with JORC 2012 in the announcements dated 29/01/2014 entitled 'High Grades Encountered in First Pass Drilling'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The exploration results relating to the other projects were previously prepared and disclosed under the JORC Code 2004 and have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified from the original market announcement. Refer to [www.erinresources.com](http://www.erinresources.com) for details on exploration results.

-Ends-

## For further information please contact:

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## About MGC Pharmaceuticals

MGC Pharmaceuticals Limited (MGC) is an EU based medical and cosmetic cannabis company whose management collectively has over 40 years of technical and commercial experience in the medical and cosmetics cannabis industry. The Company's core focus and strategy is to develop and supply high quality non-psychoactive Cannabinoid resin extract ("CBD") to the growing European cosmetics market, through its industry experienced Israeli executive team.

## About Erin Resources Option to Acquire MGC Pharmaceuticals

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

# 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 JUNE 2015

### Consolidated statement of cash flows

| Cash flows related to operating activities        |  | Current Quarter<br>\$A'000 | Year to Date<br>(12 months)<br>\$A'000 |
|---|--|----------------------------|--|
| 1.1   | Receipts from product sales and related debtors            | -                          | -                                      |
| 1.2   | Payments for (a) exploration & evaluation                  | (59)                       | (326)                                  |
|   | (b) development  | -                          | -                                      |
|   | (c) production   | -                          | -                                      |
|   | (d) administration & staff                                 | (155)                      | (427)                                  |
| 1.3   | Dividends received   | -                          | -                                      |
| 1.4   | Interest and other items of a similar nature received      | 1                          | 6                                      |
| 1.5   | Interest and other costs of finance paid                   | -                          | -                                      |
| 1.6   | Income taxes paid  | -                          | -                                      |
| 1.7   | Other  | (7)                        | (56)                                   |
|   | <b>Net Operating Cash Flows</b>                            | <b>(220)</b>               | <b>(803)</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                 | (130)                      | (130)                                  |
|   | <b>Net investing cash flows</b>                            | <b>(130)</b>               | <b>(130)</b>                           |
| 1.13  | Total operating and investing cash flows (carried forward) | <b>(350)</b>               | <b>(933)</b>                           |

|   |  |            |              |
|---|--|------------|--------------|
| 1.13  | Total operating and investing cash flows (brought forward) | (350)      | (933)        |
| <b>Cash flows related to financing activities</b> |  |            |              |
| 1.14  | Proceeds from issues of shares, options, etc.              | 500        | 797          |
| 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)                   | (21)       | (21)         |
| <b>Net financing cash flows</b>                   |  | <b>479</b> | <b>776</b>   |
| <b>Net increase (decrease) in cash held</b>       |  | <b>129</b> | <b>(157)</b> |
| 1.20  | Cash at beginning of quarter/year                          | 308        | 595          |
| 1.21  | Exchange rate adjustments to item 1.20                     | -          | (1)          |
| 1.22  | <b>Cash at end of quarter</b>                              | <b>437</b> | <b>437</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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 40                         |
| 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 Director fees.

**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<br>\$A'000 | Amount Used<br>\$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 | 50         |
| 4.2 Development                | -          |
| 4.3 Production                 | -          |
| 4.4 Administration             | 117        |
| <b>Total</b>                   | <b>167</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<br>\$A'000 | Previous Quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 415                        | 286                         |
| 5.2 Deposits at call  | 22                         | 22                          |
| 5.3 Bank overdraft  | -                          | -                           |
| 5.4 Other (provide details)   | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>437</b>                 | <b>308</b>                  |

### Changes in interests in mining tenements

|   | Tenement Reference             | Nature of Interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest at end<br>of Quarter |
|---|--------------------------------|----------------------------------|--|-------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | N/A                            | N/A                              | N/A                                    | N/A                           |
| 6.2 Interests in mining tenements acquired or increased           | Permit Number 650<br>Youboubou | Acquisition                      | 0                                      | 100%                          |

### 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><br><i>(description)</i>  |   |   |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |   |   |   |  |
| 7.3 <b>*Ordinary securities</b>  | 372,134,917<br>(includes 13,000,000 VHL shares) | 372,134,917<br>(includes 13,000,000 VHL shares) |   | Fully Paid                                       |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | 50,000,000                                      | 50,000,000                                      | \$0.01  | Fully Paid                                       |
| 7.5 <b>*Convertible debt securities</b><br><i>(description)</i>  |   |   |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |   |   |   |  |
| 7.7 <b>Options</b> <i>(description and conversion factor)</i>  |   |   | <b>Exercise Price</b>                         | <b>Expiry Date</b>                               |
|  | 4,000,000                                       | Nil   | \$0.20  | 30 June 2017                                     |
|  | 1,000,000                                       | Nil   | \$0.30  | 23 Jan 2018                                      |
|  | 500,000   | Nil   | \$0.35  | 23 Jan 2018                                      |
|  | 500,000   | Nil   | \$0.40  | 23 Jan 2018                                      |
|  | 135,451,635                                     | 135,451,635                                     | \$0.02  | 30 June 2015                                     |
|  | 36,250,000                                      | Nil   | \$0.025                                       | 30 June 2017                                     |
|  | 11,250,000                                      | Nil   | \$0.04  | 30 June 2017                                     |
| 7.8 Issued during quarter  | 16,106,745                                      | 16,106,745                                      | \$0.02  | 30 June 2015                                     |
|  | 25,000,000                                      | Nil   | \$0.025                                       | 30 June 2017                                     |
| 7.9 Exercised during quarter   |   |   |   |  |
| 7.1 Expired during quarter   |   |   |   |  |
| 0  |   |   |   |  |
| 7.1 <b>Debentures</b><br>1 <i>(totals only)</i>  |   |   |   |  |
| 7.1 <b>Unsecured notes</b> <i>(totals only)</i><br>2   |   |   |   |  |



## 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.

A handwritten signature in black ink, appearing to read 'Brett Mitchell'.

**Brett Mitchell**  
Executive Director

Date: 20 July 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.