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Erin to Acquire MGC Pharmaceuticals – No Additional Fundraising Required for Completion and Re-compliance

- Erin Resources (ASX:ERI) has exercised its option to acquire 100% of the issued capital of medical and cosmetic cannabis company, MGC Pharmaceuticals (MGC)
- ASX approved Erin's proposal to complete the acquisition of MGC under an Information Memorandum, with no additional capital raising required for re-compliance
- MGC was founded by leading executives from the Israeli medical cannabis industry, a recognised world leader in the genetics, production and treatment of patients with the use of cannabinoid compounds
- Cannabinoids are now a leading treatment for severe epilepsy, post-traumatic stress and acute skin conditions like acne and psoriasis
- The MGC acquisition strategically positions the Company in the rapidly growing and emerging medical and cosmetic cannabis market
- MGC has already achieved a number of significant milestones including securing a license to grow cannabis in Slovenia and an initial off-take agreement with a European cosmetics production company – valued at over \$15m annually for a minimum of 4 years
- Company remains well funded to accelerate its growth strategy - recently completed a \$2.7 million raising through a fully underwritten options conversion at 2c per share
- Notice of Meeting and Information Memorandum for approval of the acquisition of MGC expected to be issued shortly

Erin Resources (**ASX:ERI** or the **Company**) is pleased to announce that it has exercised the option to acquire 100% of the issued capital of MGC Pharmaceuticals Limited (**MGC**).

The acquisition of MGC strategically diversifies the Company's operations and focus into the significant and rapidly growing medical cannabis and related cosmetics, food and medical device industries.

Significant progress to date – Key Milestones Achieved

MGC has made substantial progress towards establishing itself as a significant player in the medical cannabis and related cosmetics and medical device markets based in Europe, following Erin Resources announcement it had executed an option agreement to acquire the business on 18 May 2015.

In the past 3 months MGC has secured initial operational licenses in Slovenia, which enables it commence operations to grow, process, import and export Cannabis Sativa L (Hemp), with its first CBD crops scheduled to be planted in April 2016 with first harvest in July 2016. A second crop will be planted in July and harvested in October/November.

Slovenia was selected as the MGC operational base as it is now a full member of the EU, has excellent infrastructure, a strong agricultural industry and optimal growing conditions for cannabis and related plants like corn and sunflowers. Also the operating cost environment is very competitive compared to neighbouring countries that include Italy and Austria.



Figure 1. Location Map of Slovenia

The production and sale of CBD and related products (like cosmetic and therapeutic products) is legal within the European Union, which was a key driver along with growing conditions for the selection of Slovenia as the European operating base for MGC.

In recent months MGC has also executed a strategic Joint Venture with European research and development business Natura Laboratories (MGC 51%, Natura 49%) to research and develop formulas for CBD based cosmetic products, food supplements and over-the-counter medical devices. Results from initial tests of the formula in development with Natura have demonstrated positive results for the treatment of a number of skin ailments including Acne and Psoriasis.

MGC expects to be in production of its initial range of CBD cosmetic products under the Natura JV vehicle in early 2016 following completion of clinical trials in late 2015.

In addition to Natura's JV agreement MGC has also secured a four-year off-take agreement with Natura to supply CBD extract, worth in excess of \$60 million over a 4 year period.

Mr Brett Mitchell, Executive Chairman, Erin Resources commented:

"MGC has met a substantial number of milestones since the Company signed the option to acquire the business, including securing a license to grow medical cannabis in Slovenia and an initial off-take agreement with a leading European based cosmetic production company. I am encouraged by the results achieved to date and believe this opportunity offers shareholders access to what is becoming a highly sought after market to be in."

Funding already in place to fast track initial CBD production and cosmetic products

The Company recently completed a raising of \$2,709,033 through a fully underwritten conversion of its listed options that expired on the 30 June 2015. The Company issued a total of 135,451,635 ordinary shares at \$0.02 per share. The Company currently has approximately \$2,500,000 in cash at bank to fund the immediate operations and capital expenditure to fast track the path to commercialisation.

Transaction

Importantly the ASX has granted the Company a waiver to acquire MGC with no further capital raising being required to re-comply under the ASX Listing Rules, for which the Company will lodge an Information Memorandum as its compliance document.

The transaction is subject to shareholder approval and the Company is currently drafting a Notice of Meeting that is scheduled to be lodged in early September, with the Company to hold the General Meeting to approve the transaction in early October.

The acquisition of MGC will constitute a change in the nature and scale of Erin Resources activities pursuant to Chapter 11 of the ASX Listing Rules. The ASX has confirmed that pursuant to listing rule 1.1 condition 3 the Company may provide an information memorandum in lieu of a prospectus or product disclosure statement, provided the information memorandum satisfies the requirements set out in listing rule 1.4.

Indicative Capital Structure

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

	Ordinary Shares	Unlisted Options	Performance Shares
Current issued capital	507,586,552	53,500,000	Nil
Proposed issue of Vendor Consideration Securities	200,000,000 ⁱ	Nil	100,000,000 ⁱⁱ
TOTAL	707,586,552	53,500,000	100,000,000

Notes:

- i. This includes 100,000,000 Class A Performance Shares that will vest on issue due to the Performance criteria already being met by MGC in Slovenia
- ii. This includes 100,000,000 Class B Performance Shares as detailed in the announcement dated 18 May 2015

-Ends-

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