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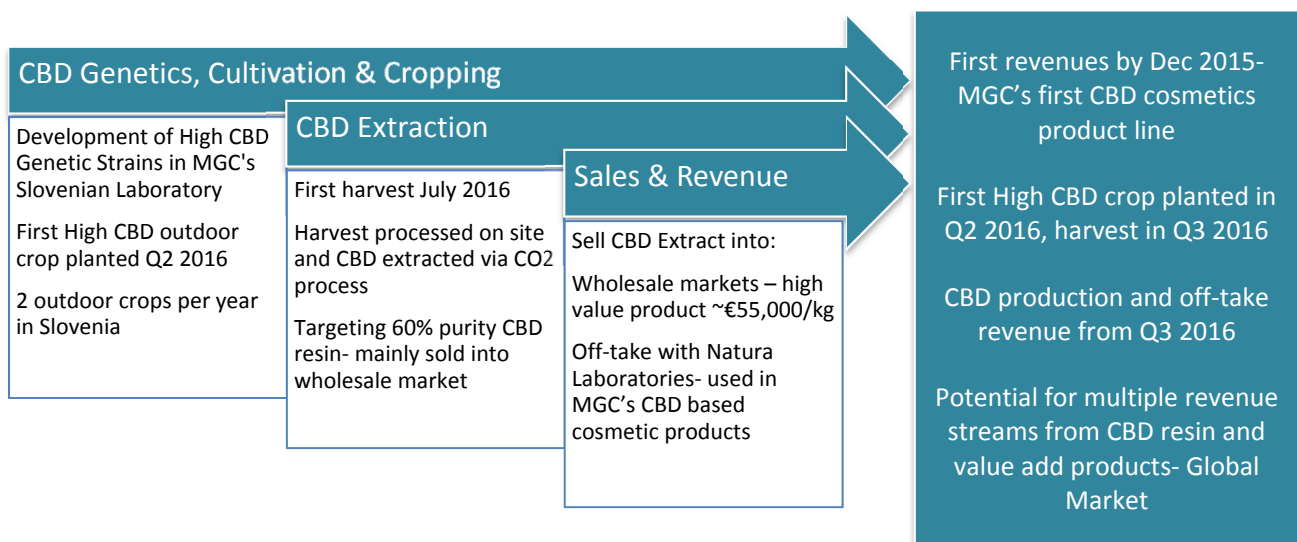
## Letter to Shareholders - MGC Pharmaceuticals Acquisition Update

*First Revenues and Cashflow Now Expected Within 3 Months- Initial Entry into Multi \$b Cosmetics Market*

Dear Shareholders,

On behalf of the Erin Resources Board, it is with great pleasure that I can provide you with an update on the significant progress the MGC Pharmaceuticals team has made towards the initial commercialisation phase of its business plan and imminent first cash flows from its medical cannabis operations. MGC's business is focused on growing a high cannabidoil (CBD) strain of Cannabis Savita, to then extract/produce a ~60% purity CBD resin that is used as a base input to a variety of medicines and cosmetic products. The current uses include treatments for severe epilepsy in children, post-traumatic stress disorders, various types of cancers and neurological conditions.

During the past 6 months the MGC founders and executive team have rolled out their business plan ahead of time and under budget, and are now expecting to be generating first revenues by the end of December 2015 through MGC's first sales of cannabinoid (CBD) based cosmetic products. Following delivery against these critical operational and commercial milestones, the Erin Board and core shareholders are in strong support of completing the MGC acquisition that is now expected to be completed within 6 weeks.



**MGC Business Model – From CBD Genetics to Multiple High Value Revenue Streams**

Settlement of the acquisition will allow MGC to fast track the development of its business model, which encompasses the entire value chain from the medical cannabis genetics, cultivation, extraction of CBD and the development and distribution of proprietary product lines. This strategy will enable MGC to potentially capture a material share of the rapidly growing global medical and cosmetic cannabis markets.

### **Acquisition of MGC Pharmaceuticals - Summary**

On 18 May 2015 the Company signed an option to acquire 100% of the issued capital in medical cannabis and cosmetics company MGC Pharmaceuticals. The Company has since announced it has exercised the option on 26 August 2015 for consideration of:

- US\$25,000 option exercise fee;
- 200,000,000 ordinary shares; and
- 100,000,000 performance shares that will convert to ordinary shares on generation of first revenues from sales of a commercial volume of cannabinoid resin or products (min €1,000,000).

The Company is planning to hold a meeting of Erin shareholders in late October 2015 to approve the acquisition, with the Notice of Meeting scheduled to be lodged in the coming days.

MGC Pharmaceuticals was founded and is led by Mr Nativ Segev, the former CEO of Israel's second largest licensed Medical Cannabis company Cann Pharmaceuticals, more widely known as Better Cannabis. His experience within the industry is extensive and he brings with him an experienced and well-credentialed team to lead this business as it establishes itself as a leading player in the market.

### **What differentiates MGC Pharmaceuticals?**

#### *Medical Cannabis Industry Experience with a Successful Track Record*

MGC's executive team and key consultants consist of a number of industry veterans. The management team has extensive experience within Israel's medical cannabis market, which is a global industry leader. The team is led by Nativ Segev, the former CEO of Israel's second largest medical cannabis company Cann Pharmaceuticals. He has over a decade of experience across researching genetics, cultivation know-how, product development and managing treatment of over 2,000 patients.

Roby Zomer MGC's President and CTO has a wealth of experience in the field of Eco Sustainable Energy projects with specific expertise in bio-organic extraction processes and has previously been a consultant and representative of the biofuels industry to the government of Israel in developing projects in Africa and Europe. Elad Segev is MGC's Manager of Breeding and Cultivation has vast experience growing Medical Cannabis and working across international projects in both the Biofuel and medical cannabis industries.

*Initial Cash flow Business Model - Sale of High Grade CBD Extract and Value-Add Cosmetic Products*

The approach of MGC Pharmaceuticals is different to that of other medical cannabis companies in that it is targeting the production and sale of high grade CBD extract through the cultivation of its proprietary Cannabis Sativa L strain, which has a low level of Tetrahydrocannabinol (THC) at less than 0.3% and a substantial amount of Cannabidoil (CBD) of approximately 13%.

This product is used as the base for cosmetics and medical products, and MGC's model is to accelerate its initial cash flows from the production and sale of a ~60% purity non-medical grade CBD product. Some production will also be used for the production of MGC's own line of cosmetic and therapeutic products with leading cosmetic product manufacturer Natura Laboratories.

MGC intends to cultivate this strain of cannabis commencing in Q2 2016, with the end product being highly sought after CBD extract, which currently sells in bulk quantities for ~€55,000 per kg (for 100% purity) in European markets. Recent market prices for CBD in Europe has reached as high as €90,000 per kg.

MGC has a strategic Joint Venture Agreement for the exclusive research and development of cosmetic products, food supplements and over-the-counter medical devices with Natura Laboratories D.O.O (Natura). This forms a key part of its strategy to establish its own range of cosmetics products.

*Exclusive Cannabis Strains Extend Growing Options*

It is legal to grow hemp in over 30 countries worldwide, whereas medical cannabis is legal in only a handful of countries. There is a requirement within hemp producing countries that the product produced has less than 0.5 – 1% of THC, the psychoactive compound. However, MGC is able to grow its strain of Cannabis Sativa L in both countries where it is legal to grow medical marijuana and hemp affording it a much wider market for production and distribution of its product.

MGC's strain of cannabis and its high concentrate of CBD therefore requires lower cultivation inputs, less acreage under crop and smaller amounts of crops for a high yield of the end product, resulting in a highly profitable, less time intensive operation with lower operation costs. The soil and growing conditions in Slovenia are highly suitable to cannabis production, with an established agriculture industry and culture in the country.

The strain of cannabis has growing conditions similar to that of Hemp, which are more favourable when compared to medical cannabis due to it requiring significantly less space to grow as the composition of the buds are close together and the plants are shorter.



**Figure 1: Potential MGC growing and greenhouse location Slovenia.**

### **Strategically Positioned**

This acquisition offers a unique opportunity to access a growing medical and cosmetic cannabis market. The market for cosmetics in Europe is worth in excess of US\$70 billion and the use of CBD as an ingredient is becoming increasingly used within cosmetic products, as it possesses the ability to penetrate the skin layers up to three times further than traditional cosmetic products.

MGC is developing numerous CBD based formulas and products in partnership with its JV partners to treat a variety of skin ailments. The first skin care product focused on relieving and protecting the skin from dryness, inflammation and flaking has been independently tested with a sample group and the initial results have been encouraging. The second round of test results are expected to be available shortly. This formula, along with 50 others have been chosen to progress to the next phase of trials, which includes a trial with human volunteers in order to observe the CBD formula's impact on the affected area.

The first CBD skincare products targeting relief from dryness, inflammation and flaking are currently undergoing further testing and development and the skin care formula is expected to begin the final testing phase in Q1 2016. The successful completion of the final testing phase will lead to a readily available regulatory compliant over-the-counter (OTC) skin care treatment as early as Q2 2016.

### **Milestones Achieved to Date**

Since announcing the option to acquire MGC the business has made significant progress towards its strategy of establishing a growing operation, which can supply substantial quantities of high grade CBD extract to the global cosmetic and medical cannabis markets.



Figure 2. Location Map of Slovenia

#### Operations in Slovenia - Based In European Union

MGC has now established its head office and operational base just outside Ljubljana, Slovenia (part of the European Union) and the MGC executive and operational team are now based there and progressing towards the first Cannabis Sativa High CBD crop to be planted in Q2 2016, with first CBD extract sales in Q3 2016. In addition the MGC team are fast tracking the development of its first line of CBD based cosmetic products to be produced under the Natura joint venture, which is now targeting first sales by end of December 2015.

#### Key Commercial Licenses Secured

MGC has secured key commercial licenses to grow, process, import and export and unlimited amount of Cannabis Sativa L (Hemp) and its products, including Cannabidoil (CBD) extract in Slovenia. The licenses in Slovenia have accelerated MGC's ability to commence its CBD growing operations in Q2 2016.

On completion of the acquisition of MGC following the Erin shareholder meeting in late October 2015, MGC will fast-track its program towards commencing construction of its laboratories, greenhouses and extraction facilities as it moves towards first production.

Unlike many other hemp producers in Europe, MGC will have the ability to process its CBD extract on site, providing it with the potential for an additional revenue source with the ability to extract CBD from third party crops from multiple producers in the region.

First Off-take Agreement Executed - First Revenues Secured

Critically, MGC secured its first CBD off-take agreement with Natura Laboratories. This agreement allows MGC to supply a minimum of 300kg of CBD resin per year to Natura, and MGC is in advanced discussions with additional potential off take partners in Europe and North America for additional CBD off-take and CBD cosmetic product supply agreements. This agreement is estimated to be worth \$60,000,000 over its four-year period and immediately accelerates MGC's pathway to significant cashflow generation.

Option to Grow in Southern Hemisphere

In addition MGC has secured an option with a Namibian company to acquire the license to grow its proprietary cannabis strain in Namibia.

The Southern Hemisphere strategy to grow in Namibia, or another location where CBD is legal, provides the Company with the ability to increase its production potential to 12 months of the year and forms a key part of the business's strategy to establish operations in the Northern and Southern hemisphere, enabling it to cultivate crops 365 days of the year – expected to significantly increase the cash flow potential.

**Next Steps**

Erin recently completed a successful capital raising with the support of its core shareholders of \$2.7 million was secured through options underwritten at \$0.02 a share. The Company is now funded to fast track the process to complete the acquisition of MGC and commence its operations into the medical and cosmetic cannabis markets.

MGC continues with its strategy to establish growing operations in the Northern and Southern hemispheres to enable it to supply high grade CBD extract all year round. It has made significant progress to date towards also establishing its own CBD cosmetic product line and following the completion of the next round of product tests is expected to have its first line of products available in the European market during Q4 2015.

I would like to thank our shareholders for their support as we embark on this exciting new venture in what is a rapidly growing and emerging global enterprise, with the cosmetics industry in Europe alone being a US\$70 billion market and a key sector target for MGC.

Yours Sincerely



*Brett Mitchell*  
*Executive Chairman*