22 July 2015

MGC Secures Option for Cannabis Growing License in Namibia

**Southern Hemisphere Strategy – Move to Year Round CBD Production & Increased Operating Cash Flow**

Highlights:

- MGC secures option with Namibian company to acquire license to grow Sativa L Cannabis (Hemp)
- Provides immediate access to low cost growing operation in legal Cannabinoid (CBD) jurisdiction
- Material impact on near term cashflow - potential 50% increase in MGC operating cashflow from 2017
- Ability to quickly increase to full 12 month production cycle (from current 8 months in Slovenia)
- Namibian CBD license will permit MGC to grow an unlimited amount of product for processing and trade
- MGC’s existing CBD import/export license will enable increased target production of CBD resin in Slovenia and distribution under existing and future commercial offtake agreements
- Forms a key part of MGC’s strategy to establish operations in the Northern and Southern hemispheres - enabling crops to be grown 365 days of the year
- Accelerates discussions with additional CBD offtake partners
- Strong support from the Namibian Government who welcome the investment in the region

Erin Resources (ASX: ERI or the Company) is pleased to provide an update on the progress of MGC Pharmaceuticals’ (MGC) operations and progress on its business strategy.

MGC has secured the option to acquire a license to grow its proprietary Sativa L Cannabis (Hemp) strain in Namibia. The option has been secured through one of the MGC founder’s existing business operations in Namibia which has been awarded the license. This option has been secured to roll the Namibian production license into MGC’s operations as part of the existing MGC acquisition consideration terms agreed with Erin, for no additional consideration.

The MGC operations and initial production facilities are currently being established in Slovenia, following key commercial license approvals in the region announced on 11 June 2015, to enable the company to grow for up to eight (8) months of the year in the Northern Hemisphere outdoor operations.

Establishing operations and strategic relationships in the Southern Hemisphere is the second stage of MGC’s business strategy, taking advantage of the ability to continually grow the CBD source plant all year-round, significantly increasing the cashflow potential of the MGC business model. MGC will be operating with minimal capital costs and operating expenses by establishing outdoor growing operations, by direct comparison require significantly less capital and operating costs than indoor growing, climate controlled operations.

Through harvesting only in the optimal seasons, which is April to October in the Northern Hemisphere and November to May in the Southern Hemisphere MGC will become a low cost producer and supplier of CBD extract. The ability to grow crops all year round also ensures the business is receiving cash flows for the full 12 months of the year.

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The license in Namibia would allow MGC to grow Cannabis strains with Tetrahydrocannabinoid (THC) content of up to 1%. MGC’s Sativa L strain is far below the 1% threshold with only 0.3% content, however this provides the business with options in the future to expand the strains it grows in the region, for additional product lines.

**Cannabidoil (CBD) Market Legality Map - by Country**

The Namibian location is favourable given a supportive government and low shipping costs as percentage of such a high product value. The business has received the support from the Namibian Government, who have welcomed the potential investment into the country and noted the importance of having an aggressive agricultural production industry, which will bring the country economic development and job creation.

MGC’s licenses in Slovenia, allow MGC to grow, process, import and export Cannabis *Sativa* L (Hemp) and its products, including Cannabidoil (CBD) resin in Slovenia. As such MGC’s extraction know-how and import license enables it to import the potential crops from Namibia into Slovenia, where it can be processed.

Nativ Segev, Founding Partner and CEO, MGC Pharmaceuticals commented:

“Securing the option to establish a growing operation in the Southern Hemisphere provides MGC with the ability to become a supplier of CBD extract all year round. By diversifying our operations geographically we will be able to generate cash flow to the business all year round. We also expect to be able to fill orders for CBD in countries where the supply dwindles out of season, making MGC a preferred supplier to many cosmetics and pharmaceuticals companies who require a constant supply of CBD.”

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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.