

The Ministry of Mining and Environmental and Spatial Planning of the Republic of Serbia (the Ministry) granted Balkan Gold doo, Exploration Licence #1934 on 23 August 2010 under the 1995 Law on Mining published in Official Gazette of RS, no. 44/95. Balkan Gold doo is a wholly owned subsidiary of Erin. The licence was initially granted for a period of one year but an extension was subsequently granted in August 2011 for an additional year until 23 August 2012.

In July 2012, Erin applied for and was granted a new three year Exploration Licence under the new Law on Mining and Geological Researches, published in Official Gazette no. 88/2011 which came into force in January 2012. The renewed Exploration Licence #1934, was granted on 05 November 2012 and is valid until 05 November 2015. The licensed area is the same as under the previous title (3.075 km²) and is defined by the coordinates in Table 4-1 and Figure 4-2. The licence covers the Piskanja mineral deposit in its entirety and there are no other known mineral deposits within the licence area.

On 10 December 2012, through Erin's 100% owned subsidiary Balkan Gold doo, Erin was granted Exploration Licence #2065 which covers an area of 35.22 km². This Exploration Licence (#2065) is adjacent to the existing Piskanja #1934 Exploration Licence. Exploration Licence #2065 is valid until 10 December 2015 and allows Erin to continue exploration in the Jarandol Basin for boron mineralisation and associated elements (Li, Na, Sr and K), with a view to expand the Piskanja Project to the west. This Technical Report and MRE is only concerned with Exploration Licence #1934 as SRK understands that no exploration work has been undertaken by the Company on Exploration Licence (#2065) since it was granted. Erin's main responsibilities as licence holder are described in the "Decision of the Ministry of Natural Resources, Mining and Spatial Planning" dated 05 November 2012. It is understood by SRK that this decree states that Erin, through its 100% owned subsidiary Balkan Gold doo, is committed to performing exploration activities initially for three years in accordance with the Exploration Programme submitted by Erin to the Ministry at the time of licence application.

Erin contracted Ibarski Rudnici Coal Company, which is a subsidiary of the State-owned JP PEU Resavica, to design its current (2012-2015) Exploration Programme. In accordance with the 2012 Law on Mining and Geological Researches of Serbia, this Exploration Programme was approved by the Institute for Nature Conservation of Serbia and the Institute for Cultural Heritage and Preservation, Kraljevo, prior to it being submitted to the Ministry. Previously, Erin's 2010 Exploration Programme was designed and submitted by private exploration consultancy, Jantar Group, Belgrade.

Prior to Erin commencing exploration, site conditions were assessed by the Institute for

Nature Conservation of Serbia on 08 June 2010 and an Environmental Permit granted as a result. The current Exploration Programme approved by the Ministry on 05 November 2012 was also approved by the Institute for Nature Conservation of Serbia and the Institute for Cultural Heritage Preservation, Kraljevo. No site inspection was required by either institution to approve the Exploration Programme as the licence area had not been altered. A renewal of approval is required by the Institute for Nature Conservation of Serbia if Erin continues with exploration beyond 2015. A renewal of approval is required every year by the Institute for Cultural Heritage Preservation, Kraljevo and is therefore needed in 2015.

Environmental and Social Setting

The Project is located in south-central Serbia, approximately 160 km south of Belgrade, and approximately 17 km north of the Kosovo border. Administratively, the Project is in the Raška District and Municipality. The nearest villages are Brvenik, which is in the immediate vicinity of the deposit area, and Baljevac, which is approximately 1.5 km north-west of the project area. The regional capital, Raška, lies approximately 10 km to the south of the project area.

The project area is located on the lower north-western slopes of the Kopaonik Mountain Range; the largest mountain range in Serbia. Altitudes in the project area range between approximately 375 and 625 m above mean sea level and the climate is characterised as moderately continental. The average temperature in January is -10°C, while that in July is around 19°C. Winter temperatures are not as low as in other areas of Serbia, due to the southerly location. Average annual precipitation measured in the region of the site is 647 mm (Priboj Selo station), with the highest rainfall in the months of May to September (monthly average around 49-62 mm).

The Project is located within the Ibar River drainage basin, a trans-boundary river which flows through eastern Montenegro, Serbia and Kosovo prior to discharging into the Black Sea. The deposit area is drained by three streams; Korlački, Radić and Kurički. All are tributaries of the Ibar River. Kurički stream, located to the north of the deposit area, is approximately 5 km long and has a catchment area of approximately 5.5 km². There are a number of springs in the upper reaches maintaining a small perennial flow, which is augmented during runoff events. Korlački stream, located to the south of the deposit area, is approximately 5 km long, with a catchment area of approximately 6.5 km². Radić stream is located between the Kurički and Korlački streams.

Groundwater is recharged within the slopes of Kopaonik Mountain. Localized spring discharge occurs where the slope decreases and at the bases of creek valleys. The dominant groundwater use is garden irrigation and small scale subsistence farming; use of

groundwater as a source of potable drinking water occurs at a few properties.

The dominant land use is small-scale subsistence farming. The river flood plains and lower mountain slopes are cultivated for crops and fruit. Steeper slopes, above 500 m amsl are generally covered by sparse deciduous woodland.

Brvenik, Baljevac and Raška have populations of 67 (2002 census), 1,482 (2011 census) and 6,574 (2011 census), respectively. The population in the Raška municipality was 24,680 in the 2011 census. About 4,000 people have migrated out of the municipality in the last two decades. The negative population growth can be attributed to the stagnation of economic development of the region, which has led to population migration from the municipality to more developed parts of Serbia. The unemployment rate in the Raška municipality was 41.33% in 2011.

The deposit is located in the Kopaonik metallogenic district of Serbia; the district has seen production from many small deposits of lead, zinc, silver and iron since the Middle Ages. Exploration during the past 100 years has resulted in the discovery and development of asbestos, coal and magnetite properties. State-owned Ibarski Rudnici Coal Company operates a coal mine north of Baljevac.

As already commented, mining rights in Serbia are currently governed by the Law on mining and geological exploration (Official Gazette RS Number 88/2011); the responsible government agency is the Ministry of Energy and Mining. A new Law on Mining and Geological Survey, which is drafted and pending adoption by the Serbian Parliament, provides for a series of mining permits granting stepwise permission to develop a mine. Prior to exploitation, Erin must obtain exploitation approval and approval of mining works. The key difference between these two approvals is the engineering document required to support the application – i.e. a Feasibility Study is required for the exploitation approval, and a Main Mining Project is required to support the application for approval of mining works. These approvals must be obtained prior to construction.

The Law of Environmental Protection (Official Journal RS, No. 135/O4, 29/10) oversees the management, support, restoration and preservation of natural resources and natural, cultural and historical heritage. It aims to prevent all forms of pollution, nuisance and deterioration of natural, social and cultural environments, and to preserve human, animal and plant health and to ensure the security of property and people. This law also deals with atmospheric emissions, waste disposal and the import, production or use of hazardous substances.

The Law on Environmental Impact Assessment (Official Journal RS, No. 135/O4, 36/09) requires that environmental impact assessment (EIA) licences are obtained for projects with

potential to have significant impacts. Projects subject to an environmental impact assessment are outlined in the Decree on Determining the List of Projects Requiring Mandatory Environmental Impact Assessment and List of Projects Requiring Optional Environmental Impact Assessment (Official Journal RS, No. 114/08). The Law on Environmental Impact Assessment charts the procedure to obtain an EIA licence briefly, as outlined below.

An application is submitted to the competent authority to determine the scope and content of the EIA. As part of determining the scope and content of the EIA, the competent authority will seek public opinion.

The applicant should then prepare an EIA (applicants have one year to prepare the EIA following receipt of the required scope and content from the competent authority).

On receipt of the EIA, the competent authority will open the EIA for public inspection and there will be a public hearing. The competent authority will notify the public of this (with an interval of at least 20 days between the public notice and public hearing).

The EPA will submit the comments on the EIA, together with the EIA, to a Technical Commission that will provide comments (and a suggested decision) to the competent authority.

The competent authority will make the decision whether to issue an EIA licence. An EIA licence will have a period of validity and contain conditions for the protection of the environment.

The competent authority is required to inform stakeholders of the decision, including the contents of the decision, the justification for the decision, and the key measures to be implemented to prevent, mitigate or remediate impacts.

The EIA procedure is part of the permitting process for construction, integrated pollution prevention and control (IPPC) and waste management permits.

There are a number of business charters, codes of conduct / ethics / practice and good-practice guidelines that have been developed by industry (often in partnership with key stakeholders). Those of particular importance to environmental management and sustainable development in the mining sector are:

The International Council on Mining and Metals' Sustainable Development Framework (which comprises a set of ten principles, public reporting and independent assurance) and numerous best practice guidelines.

The Voluntary Principles on Security and Human Rights.

e3Plus – guidance on responsible exploration developed by the Prospectors and Developers Association of Canada (PDAC).

Towards Sustainable Mining (TSM) – an initiative of The Mining Association of Canada.

Enduring Value – the Australian minerals industry framework for sustainable development.

While these are largely voluntary, membership of certain industry associations requires compliance. At the same time, increasing numbers of stakeholders expect to see the environmental and social performance of individual companies aligned with these voluntary standards irrespective of membership of the relevant industry association.

Erin's responsibilities, though its subsidiary Balkan Gold as holder of the exploration licence, are described in the "Decision of the Ministry of Natural Resources, Mining and Spatial Planning" dated 05 November 2012. It is understood by SRK that this decree states Balkan Gold is committed to undertaking the activities outlined in the 2012-2015

Exploration Programme submitted to the Ministry at the time of licence application. The 2012-2015 Exploration Programme was approved by the Institute for Nature Conservation of Serbia and the Institute for Cultural Heritage and Preservation prior to it being submitted as part of the licence application. SRK understands the only obligation in the 2012-2015 Exploration Programme pertaining to environmental and social management is the requirement to conduct on-going hydrological and hydrogeological investigations in the area.

Erin intends to initiate an EIA in the subsequent project development phases. A preliminary hydrological and hydrogeological sampling and monitoring network was established by a third party in September 2012, with on-going sampling and monitoring undertaken by Erin. It is acknowledged by Erin that once project information is further defined the scope of these water resources studies may need to be expanded to address a wider study area and to focus on the key issues.

Erin recognises the importance of stakeholder engagement and communicates with government at national, provincial and district levels and with local communities on an ongoing basis. Based on the information made available to SRK, there appears to be a good relationship between Erin and government and local-level stakeholders. Erin acknowledged that the on-going stakeholder engagement has not yet been formalised through a stakeholder mapping (identification) exercise to identify stakeholders interested in or affected by the project, development of a stakeholder engagement plan (SEP) and establishing a database of records of past stakeholder engagements.

With respect to the EIA, SRK recognises two types of consultation, Serbian EIA legislation

requires stakeholder engagement as part of the EIA process (Section 20.2), however the responsibility for engagement is assigned to local authorities. International standards on environmental and social management promote a more active approach to community stakeholder engagement to ensure constructive relationships with stakeholders are developed and maintained. Active stakeholder engagement, beyond the immediate scope of the EIA, is also considered to be an important tool for identifying and managing environmental and social risks to the project during both development and into operations. Source; ErinVentures