



21 March 2012

## **ASX ANNOUNCEMENT**

### **Rights Issue – Lodgement of Prospectus**

Please find enclosed a prospectus for the one-for-one non-renounceable rights issue (“Rights Issue”) by ERO Mining Limited (ASX:ERO), lodged with ASIC this morning.

The prospectus together with an Entitlement and Acceptance Form will be sent to Eligible Shareholders on 3 April 2012.

# **ERO MINING LIMITED**

**ABN 40 119 031 864**

## **Prospectus**

For a 1 for 1 non-renounceable rights issue at 0.5 cents per New Share to raise approximately \$1.8 million (before costs).

**This document is important and requires your immediate attention. You should read all of it. Ask your stockbroker or other professional adviser for advice if you are not sure what to do.**

## **About this prospectus**

This prospectus is issued by ERO Mining Limited (“we”, “our”, “us”).

This prospectus is dated 21 March 2012. A copy of this prospectus was lodged with ASIC and ASX on that date. ASIC and ASX take no responsibility for the contents of this prospectus. The expiry date of this prospectus is 21 April 2013. No securities will be issued under this prospectus after that date.

## **Risks**

Some of the risks involved with investing in our securities are summarised in Part 4. The key risks follow.

- General market conditions
- Future capital requirements
- Exploration and development
- Loss of key personnel
- Native title and Aboriginal heritage
- Title
- Environment
- Agreements with third parties

## **Quotation of securities**

We have applied for official quotation of the Shares on ASX.

## **Only an offer in Australia and New Zealand**

We are only making an offer of Shares to people with an address on our register of members in Australia or New Zealand. We are relying on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand) to make this offer in New Zealand. This prospectus is not an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

## **Information about the Rights Issue**

The only information about the Rights Issue that has been authorised by us, is the information contained in this prospectus. You must not rely on any other information about the Rights Issue.

## **Special meanings**

Some of the words in this prospectus have special meanings. Those meanings are in Part 5. All financial amounts shown in this prospectus are in Australian dollars, unless stated otherwise.

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## Summary of important dates

Lodgement of this prospectus with ASIC	21 March 2012
Record Date to determine entitlement to New Shares	29 March 2012
Opening Date	3 April 2012
Closing Date	23 April 2012
Expected date of allotment of New Shares	2 May 2012

These dates are indicative only. We reserve the right to vary the dates without prior notice, subject to the *Corporations Act 2001* (Cth) and the Listing Rules.

## **Part 1 – General Information**

### **What is the Rights Issue?**

This is an offer of approximately 360 million New Shares to our Eligible Shareholders who are registered on the Record Date. The New Shares are being offered on the basis of one New Share for every Share then held.

Fractional entitlements will be rounded up to the nearest whole New Share. The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

### **What is the issue price?**

The issue price is 0.5 cents (one half of one cent) per New Share and is payable in full on application.

### **What is the purpose of the Rights Issue?**

Under the Rights Issue, we are seeking to raise approximately \$1.8 million (before expenses).

The net proceeds from the Rights Issue will be used for working capital purposes and to fund exploration and development, including:

- Geophysical surveys and subsequent drill programs at the Peeweena Dam prospect Billa Kalina SA (ERO in joint venture with Maximus Resources Ltd (ASX:MXR)) which is located 70km north-north west of the Olympic Dam copper-gold-uranium mine and 45km east of the mine development at Prominent Hill. Finalisation of the Deed of Access – Exploration with the Defence Department will allow the completion of a detailed gravity survey and drill testing of the Peeweena Dam gravity anomaly, targeting iron oxide, copper, gold, uranium mineralisation similar to the nearby Olympic Dam and Prominent Hill mines.
- Advancing the Company's portfolio of gold/uranium exploration licences and licence applications in the Tanami region of the Northern Territory (ERO 100%), which has become Australia's premier Proterozoic Gold Province capable of hosting multi-million ounce gold deposits. Encouraging results from geochemical surveys conducted during the 2011 field season, including the discovery of significant arsenic anomalies indicating potential for associated gold mineralisation, require follow-up in conjunction with further ground based exploration of both the Suplejack and Talbot North project areas.

### **Opening and Closing Dates**

The Rights Issue will open for receipt of acceptances on the Opening Date and closes on the Closing Date. Our directors reserve the right to close the Rights Issue early or extend the Closing Date. You should lodge your Entitlement and Acceptance Form as soon as possible.

### **Can you transfer your right to New Shares?**

The rights to New Shares are non-renounceable, which means that rights may not be traded.

## What are the rights attached to New Shares?

New Shares will be issued on the same terms as our Shares that are already on issue. Full details of the rights attached to Shares are set out in our constitution. You can inspect a copy of our constitution at our registered office.

A summary of the rights attached to Shares follows.

- Voting rights

Subject to any rights or restrictions attached to any class of Shares, at a meeting of our members: on a show of hands each member has one vote; and on a poll each member has one vote for each fully paid Share they hold, and a fraction of a vote for each partly paid Share they hold.

- Dividends

Subject to the terms on which Shares are on issue, the directors may pay dividends as they see fit.

- Future issues of Shares

Subject to the *Corporations Act 2001* (Cth), the Listing Rules and our constitution, the Company may issue Shares and grant options over unissued Shares, under the control of our directors. We may issue preference shares on terms approved by special resolution. We may reduce our share capital, buy-back Shares and convert Shares into a larger or smaller number.

- Share transfers

Subject to our constitution and the Listing Rules, a shareholder may transfer a Share by an instrument of transfer in any common form or other form approved by the directors.

- Variation of rights

The rights and privileges attaching to Shares can be altered by special resolution of the shareholders. A special resolution is a resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution.

- Rights on Winding Up

If on a winding up there are enough assets to repay all capital to shareholders, all capital must be repaid to the shareholders and any surplus must be distributed among the shareholders in proportion to the amounts paid on their respective shares before the winding up began.

Subject to any special rights or restrictions attached to Shares, on a winding up, the liquidator may, with the sanction of a special resolution of shareholders, distribute among the shareholders the whole or any part of our property (in its actual state) and decide how to distribute the property as between the shareholders or different classes of shareholders.

**Is there a minimum capital raising?**

There is no minimum limit to the amount of capital to be raised under this Rights Issue.

**Shortfall in subscription**

Our directors reserve the right to issue any shortfall in subscription for New Shares at their discretion within 3 months after the close of the Rights Issue.

## **Part 2 – How to Apply**

### **What you may do**

The number of New Shares to which you are entitled is shown in the accompanying Entitlement and Acceptance Form. You may:

- take up all of your entitlement to New Shares;
- take up all of your entitlement to New Shares and apply for any entitlement not taken up by other Eligible Shareholders;
- take up part of your entitlement and allow the balance to lapse; or
- not take up any of your entitlement and allow it to lapse.

### **Complete and return the Entitlement and Acceptance Form**

Refer to the Entitlement and Acceptance Form for instructions on its completion. Please send your completed Entitlement and Acceptance Form together with payment for the total amount payable to reach the Company's share registry by 5:00 pm (Adelaide time) on the Closing Date.

### **Taking up any shortfall**

If an Eligible Shareholder wishes to take up any New Shares offered on the basis of this Prospectus which are not taken up by other Eligible Shareholders, Eligible Shareholders must, in addition to completing the portion of their Entitlement and Acceptance Form which relates to their entitlement, complete the portion of the Form relating to the additional shares they wish to take up.

Investors in Australia other than Eligible Shareholders that wish to take up any New Shares offered on the basis of this Prospectus not taken up by Eligible Shareholders must complete a Shortfall Application Form.

Shortfall Application Forms will be provided to investors on request. Refer to the Shortfall Application Form for instructions on its completion. Shortfall Application Forms together with payment for the New Shares must also be returned before the Closing Date. Receipts will not be issued.

### **Entitlements not taken up**

If you decide to take up only part of your entitlement or not to accept any of your entitlement, your entitlement will lapse to that extent and may be placed by the Directors within 3 months after the close of the Rights Issue.

## Part 3 – Information about Us

### Disclosing entity information

This prospectus is issued under section 713 of the *Corporations Act 2001* (Cth) as a prospectus for the offer of continuously quoted securities.

We are a "disclosing entity" for the purposes of the *Corporations Act 2001* (Cth) and as such are subject to regular reporting and disclosure obligations. Specifically, as a listed company, we are subject to the Listing Rules which require continuous disclosure to the market of any information we have which a reasonable person would expect to have a material effect on the price or value of our Shares.

ASX maintains files containing publicly disclosed information about all listed companies. Until 31 March 2012 our file is available for inspection at ASX in Adelaide during normal working hours. From 1 April 2012 our file will be available for inspection at ASX in Sydney during normal working hours. In addition, copies of documents lodged with ASIC in relation to us may be obtained from, or inspected at, any ASIC regional office.

### What information will we make available?

We will provide a copy of each of the following documents to you free of charge, if you request it during the application period under this prospectus.

- Our 2011 Annual Report.
- Our December 2011 Half-year Financial Report.
- The following announcements lodged with ASX since the release of our 2011 Annual Report:

Date	Announcement
16/03/2012	ERO Rights Issue Clarification
15/03/2012	ERO Rights Issue and Appendix 3B
15/03/2012	ERO Half Year Financial Report
15/03/2012	ERO Appendix 3B Exercise of Options
31/01/2012	ERO Quarterly Reports
29/11/2011	ERO Constitution
29/11/2011	ERO Results of AGM
29/11/2011	ERO CEO`s AGM Presentation
29/11/2011	ERO Chairman`s Address to AGM
07/11/2011	ERO Appendix 3Y x 3
01/11/2011	ERO 2011 Notice of Annual General Meeting
01/11/2011	ERO 2011 Annual Report to Shareholders
31/10/2011	ERO Quarterly Report as at 30 September 2011
30/09/2011	ERO Financial Report 30 June 2011
28/09/2011	ERO Details of Company Address

### Market prices of Shares

The lowest and highest market sale prices of Shares on ASX during the 3 months

immediately before the date of this prospectus, and the respective dates of those sales were:

- \$0.01 on 16 March 2012; and
- \$0.016 on 15 February 2012, 29 February 2012 and 5 March 2012

The last sale price for Shares on ASX before the date of this prospectus was \$0.014 on 20 March 2012.

### **Effect of the Rights Issue on us**

The principal effects of the Rights Issue on the Company will be, if it is fully subscribed, to:

- increase cash reserves by approximately \$1.8 million (before expenses of the Rights Issue are taken into account) to enable the Company to pursue its objectives;
- increase the number of issued Shares by approximately 360 million to approximately 720 million Shares.

These amounts do not take into account the effect of the exercise of any options over unissued Shares that may occur prior to the Record Date.

### **Statement of Financial Position**

Set out on the next page is a Pro Forma Consolidated Statement of Financial Position taking into account the Rights Issue. It is based on financial statements for the half year ended 31 December 2011. The Pro Forma Consolidated Statement of Financial Position illustrates the effect of the Rights Issue as if the Rights Issue had occurred on 31 December 2011, fully subscribed.

ERO Mining Group  
Consolidated Balance Sheet  
31 December 2011

	31 December 2011	Changes	Proforma 31 December 2011
<b>Current Assets</b>			
Cash and cash equivalents	231,408	1,800,647	2,032,055
Trade and other receivables	3,022	-	3,022
<b>Total Current Assets</b>	<u>234,430</u>	<u>1,800,647</u>	<u>2,035,077</u>
<b>Non Current Assets</b>		-	-
Property Plant & Equipment	897	-	897
Exploration & Evaluation	6,983,198	-	6,983,198
<b>Total Non Current Assets</b>	<u>6,984,095</u>	<u>-</u>	<u>6,984,095</u>
<b>Total Assets</b>	<u>7,218,525</u>	<u>1,800,647</u>	<u>9,019,171</u>
<b>Current liabilities</b>		-	-
Trade and other payables	57,149	(748) *	56,401
<b>Total Current Liabilities</b>	<u>57,149</u>	<u>(748)</u>	<u>56,401</u>
<b>Total Liabilities</b>	<u>57,149</u>	<u>(748)</u>	<u>56,401</u>
<b>Net Assets</b>	<u>7,161,376</u>	<u>1,801,395</u>	<u>8,962,771</u>
<b>Equity</b>	-		
Contributed equity	31,004,894	1,801,395 *	32,806,289
Retained (Losses)	(24,826,996)	-	(24,826,996)
Reserves	983,478	-	983,478
<b>Total Equity</b>	<u>7,161,376</u>	<u>1,801,395</u>	<u>8,962,771</u>

\* Post 31 December 2011, 12,500 shares were issued from the exercise of options

## **Part 4 – Summary of Risks**

Like all investments, the market price of our Shares may fall as well as rise.

Our potential returns are subject to risks specific to us and to general risks.

You should consider all risks before you make a decision about this Rights Issue. It is impossible to identify all risks, but we draw your attention to the following.

### **General market conditions**

The price of Shares on ASX may rise or fall due to numerous factors including the following.

- General economic conditions, including changes in prices and interest rates.
- Variations in the local and global markets for listed shares in general, or for mining stocks in particular.
- Changes to government policy, legislation or regulation.
- Competition in the industry in which we operate.
- General operational and business risks.
- Demand for commodities.

### **Future capital requirements**

We may require additional funds to carry out further exploration or development of our existing or new projects. Our ability to raise those funds within an acceptable time frame, and on terms acceptable to us, will vary according to a number of factors including: the prospects of new projects (if any); the results of exploration and subsequent feasibility studies; stock market and industry conditions; and the price of relevant commodities.

### **Exploration and development**

Exploration by its nature contains elements of significant risk. Ultimate success depends on the discovery of economically recoverable resources, obtaining the necessary titles and governmental regulatory approvals and getting suitable finance for mining operations, if and when a decision to mine is made.

There can be no assurance that our existing projects, or any other projects or tenements that we may acquire in the future, will result in the discovery of significant resources. Even if significant resources are identified, there can be no guarantee they will be able to be economically exploited.

The factors that will impact on our future exploration and possible production activities include the following.

- Geological conditions.

- Limitations on activities due to seasonal weather patterns.
- Alterations to joint venture programmes and budgets.
- The availability of drilling rigs and other machinery necessary for the Company to undertake its activities.
- Unanticipated operational and technical difficulties encountered in survey, drilling and production activities.
- Mechanical failure of operating plant and equipment, adverse weather conditions, industrial and environmental accidents, industrial disputes and other events outside our control.
- Unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.
- Prevention or restriction of access by reason of political unrest, outbreak of hostilities, and inability to obtain consents or approvals (including clearance of work programs pursuant to existing, and any future access agreements entered into with future registered Aboriginal Land Council and native title claimants).

### **Loss of key personnel**

Our success depends on the competencies our directors and senior management. The loss of one or more of our directors or senior management could have a materially adverse effect on our business, financial position and operations. The resulting impact from such an event would depend on the quality of any replacement.

### **Native title and Aboriginal heritage**

Some of our tenements are located within areas that are the subject of claims or applications for native title determination. The *Native Title Act 1993* (Cth) and related State native title legislation and Aboriginal heritage legislation may affect our ability to obtain access to certain of our exploration areas or to obtain mining production titles. Settling any claims will incur costs to us. The degree to which this may impact on our activities will depend on a number of factors, including the status of particular tenements and their locations. At this stage, we are not able to quantify the impact, if any, of such matters on our operations.

### **Title**

All mining tenements that we may acquire are regulated by applicable state mining legislation. There is no guarantee the tenements we apply for will be granted. Also, grant of a tenement will be subject to conditions.

### **Environment**

Our projects are subject to State and Federal laws and regulations regarding environmental matters. Our activities and operations cannot be carried out without prior approval by all relevant authorities. Resource activities can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses. We intend conducting our activities in an environmentally responsible manner and in accordance with

all applicable laws.

**Agreements with third parties**

We have signed various contracts with others. There is a risk of financial failure or default by the other party to these arrangements. Any breach or failure may lead to penalties or termination of the relevant contract. In addition, our interest in the relevant subject matter (tenement, for example) may be jeopardised.

## Part 5 – Additional Information

### Interests in securities

Our directors have relevant interests in the following securities in us.

Director	Shares	Options
R M Kennedy	27,737,206	36,067,002
M I Hatcher	0	0
H M Gordon	20,883,333	31,220,834
I Witton	0	0

Holders of Shares in which our directors have relevant interests will receive an entitlement to New Shares under this prospectus.

Mr Kennedy and Mr Hatcher (or entities they control) have agreed to underwrite part of the shortfall under the Rights Issue, up to 9,012,800 New Shares, and 1 million New Shares, respectively. The underwriting will be on the terms summarised as follows:

- Mr Kennedy and Mr Hatcher (or their controlled entity) must apply for the New Shares if there is sufficient shortfall under the Rights Issue.
- The issue price for the New Shares will be 0.5 cents each, and will otherwise be issued pursuant to this prospectus.
- Subject to payment, the New Shares will be issued within 3 months after the date of this Prospectus.

### Director fees

Our directors agreed to forego their fees for the 2010-2011 financial year, and have agreed that fees will not be paid for the current financial year until the Company is in a position to do so. At that time, an appropriate level of directors' fees will be agreed.

### Expenses of the Rights Issue

The total expenses connected with this Rights Issue, including legal and other advisory fees, listing, printing and other miscellaneous expenses are estimated to be approximately \$30,000.

### Taxation

The potential tax effects relating to the Rights Issue will vary between shareholders. You should satisfy yourself of possible tax consequences by consulting your own professional tax advisers.

### Privacy

We collect, hold and use our shareholders' personal information in order to: service their needs as shareholders; provide facilities and services that they request or that are connected with their interests in securities in us; and to carry out appropriate administration.

We may also use or disclose the information to: people inspecting our register of members; bidders for our securities; regulatory bodies; authorised brokers; print service providers; and mail houses.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by us or on our behalf. You can request access to your personal information by telephoning or writing to us.

## Glossary

In this prospectus, the following words have the meanings set out below, unless the context otherwise requires.

- ASIC means the Australian Securities and Investments Commission.
- ASX means ASX Limited ABN 98 008 624 691.
- Closing Date means the closing date of the Rights Issue listed in the “Summary of Important Dates” section of this prospectus.
- Eligible Shareholder means a holder of Shares at 5pm Adelaide time on the Record Date having an address on our register in Australia or New Zealand.
- Listing Rules means the Listing Rules of ASX.
- New Shares means Shares in the Company issued pursuant to the Rights Issue.
- Opening Date means the opening date of the Rights Issue listed in the “Summary of Important Dates” section of this prospectus.
- Record Date means the record date to determine the shareholders entitled to participate in the Rights Issue determined in accordance with the Listing Rules and listed in the “Summary of Important Dates” section of this prospectus.
- Rights Issue means the non-renounceable rights issue the subject of this prospectus.
- Shares means fully paid ordinary shares in our capital.

Words used in this prospectus that are defined in the *Corporations Act 2001* (Cth) have the meanings given in that Act.

## Consent

Each of our directors has consented to the lodgment and issue of this prospectus.

Signed under section 351 of the *Corporations Act 2001* (Cth):

.....  
 Peter Kupniewski  
 Company Secretary

**Corporate directory**

ERO Mining Ltd

ABN 40 119 031 864

**Registered office:**

Level 3

100 Pirie Street

ADELAIDE SA 5000

**Directors:**

R M Kennedy (Chairman)

H M Gordon (non-executive director)

M I Hatcher (non-executive director)

I Witton (alternate director)

**Chief Executive Officer:**

K J Lines

**Secretary:**

P J Kupniewski