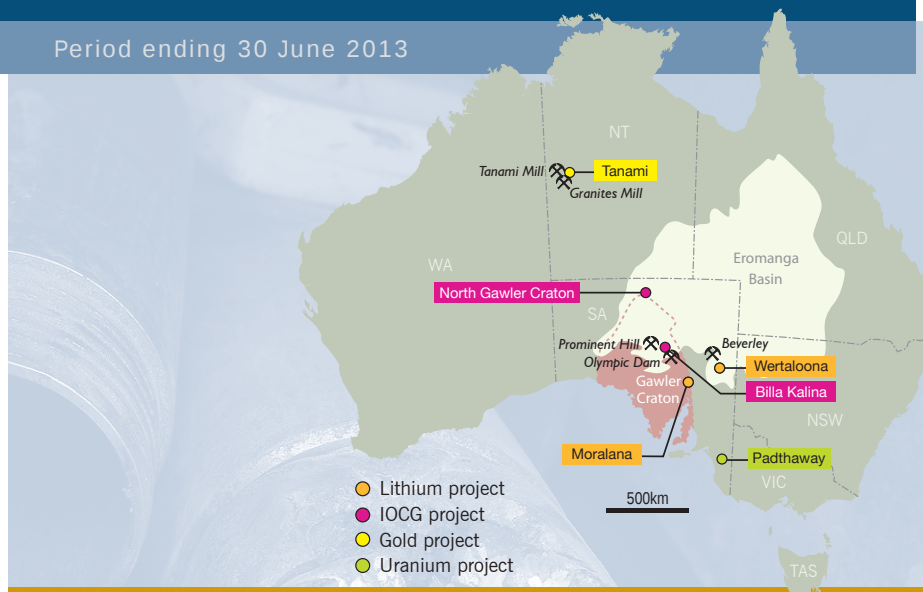


# QUARTERLY REPORT

Period ending 30 June 2013



## KEY EVENTS



- *Changes to the Board of Directors and a new focus for ERO.*
- *Commenced negotiations to acquire two (2) key Western Australian gold projects.*
- *ERO making the transition to becoming a pure gold exploration company.*
- *Rationalises existing tenement portfolio.*

## REVIEW OF OPERATIONS

### CORPORATE ACTIVITIES

With a change in the strategic direction and a new focus for the Company, various changes to its Board have occurred including the resignation of Mr Kevin Lines from the position as Chief Executive Officer. Mr Lines was replaced by Mr Joe Houldsworth who took up the position of Managing Director. Mr Houldsworth has over 40 years' experience in the minerals and gold industry and was the discoverer of the high grade Wattle Dam gold deposit

near Coolgardie, Western Australia. The Company also saw the retirements of non-executive Directors, Mr Hector Gordon and Mr Michael Hatcher, who were replaced by Mr Ewan Vickery.

The Company has identified two gold projects which are in line with its new growth strategy. Subsequent to the Quarter ending, the Company announced on 1 July 2013 that it had agreed the terms of a conditional sale and purchase agreement with Ramelius Resources Ltd (ASX: RMS) to acquire the Spargoville

Project in Western Australia for scrip. The consideration to be paid for the project will be the issue of 133,333,334 shares to Ramelius to the value of A\$400,000. The Spargoville Project represents an advanced exploration project which hosted the previously mined, high grade Wattle Dam deposit and 36 prospective adjoining tenements. Shortly following the announcement of the acquisition of the Spargoville Project, the Company announced that it had agreed terms for a conditional share sale agreement to acquire Valley Floor Resources Pty Ltd for scrip. Valley Floor Resources is the holder of Exploration Licence E15/1249 in Western Australia containing the Valley Floor Prospect. A drilling program is planned for the second half of 2013 to test interpreted structures for gold mineralisation. The consideration to be paid will be the issue of 50,000,000 shares to be apportioned amongst the vendors of Valley Floor Resources to the value of A\$150,000.

The Group's strategy now is to explore for gold across its portfolio of projects in Western Australia and the Northern Territory.

The primary focus of exploration will be directed at gold mineralisation at the Spargoville and Valley Floor Projects in the Eastern Goldfields of Western Australia with a secondary focus on gold in the Tanami region of the Northern Territory.

The Company is confident that the prudent application of exploration funds across this balanced geographic/commodity profile has an excellent chance of delivering discovery success.

## EXPLORATION ACTIVITIES

### Billa Kalina – Peeweena Dam

Following the granting of a 'Deed of Access – Exploration' by the Defence Department over EL 4854, part of the Billa Kalina Project, the Company engaged Atlas Geophysics to undertake the ground gravity survey over the tenement. Subsequent processing of the data from the new survey indicated that no significant gravity anomaly was present at Peeweena Dam and the data point in an earlier survey was erroneous. Following these results, the Company has recently made the decision to terminate the Joint Venture Agreement with Maximus Resources who retains a 100% interest in the project.

ERO also sold its interest in the adjoining tenement EL4898 to Maximus Resources for consideration.

### Padthaway Area Project

During the quarter, the Company sought a joint venture partner for the Padthaway Area Project to help advance exploration of its extensive tenement holding. Although the Company held discussions with a number of third parties, these discussions did not result in the Company establishing a formal joint venture over the tenement package. As a result and in line with the Company's change in strategic direction, the Board made the decision during the quarter to surrender the Padthaway tenements.

### Wertaloona/Moralana Projects

The Company has also been in discussions with a third party interested in establishing a joint venture over the Wertaloona lithium project within the Lake Frome basin of central-eastern South Australia. The third party continued its detailed review of the data for the project over the quarter with the intention to enter into joint venture discussions. Subsequent to the end of the quarter, the third party advised that it would not be submitting a proposal for the project citing, amongst other things, difficult economic conditions as its reason for not moving ahead with the project.

The Board has therefore made the decision to divest its interest in these two tenements.

## North Gawler Craton

Following the completion of a detailed ground gravity survey over the Wellbourn Hill portion of the project area and a review of the data, Monax Alliance concluded that the results failed to meet their requirements and formally notified the Company that they would not be undertaking further exploration. The Board has recently decided to surrender the Northern Gawler Craton Project tenements in accordance with its change in strategic direction.

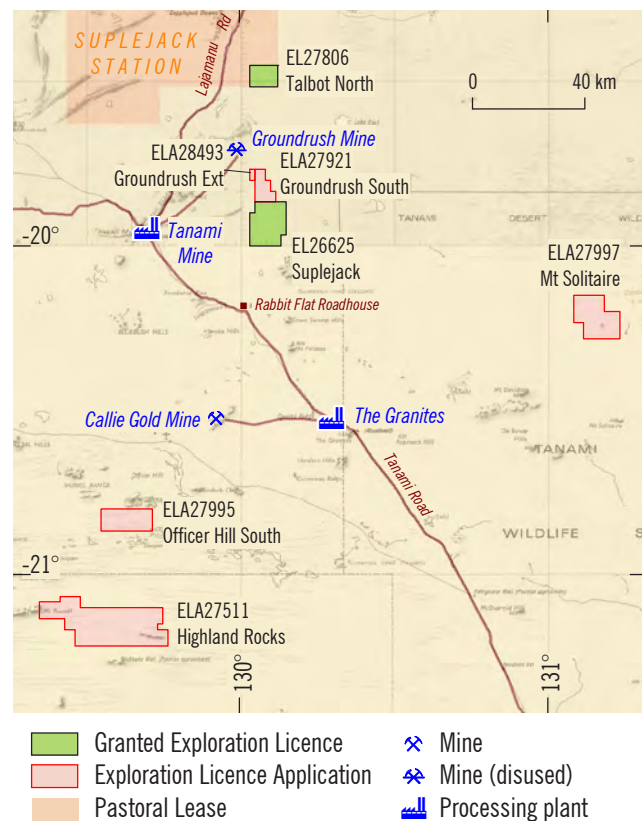
## Tanami Exploration Initiative

The Company was due to meet with Traditional Owners over the project areas within the Company's Tanami portfolio on 22 May 2013; however, due to changes to management over that period, the Company was unable to attend that meeting. The Company is currently working with the Traditional Owners to organise a new date for this meeting. The Tanami Region, located 600km northwest of Alice Springs in the Northern Territory, has become Australia's premier Proterozoic Gold Province. Access to the Highland Rocks project will allow the Company to commence work over one of the few remaining areas of the Tanami province which has seen no effective modern gold exploration. In expectation of gaining access to the Highland Rocks project, the Company has made an application for two additional areas that are contiguous with the current tenement holding. These additional areas consolidate the Company's tenure in this highly prospective region.

The Company has looked to source a joint venture partner at the Suplejack project. The project area is the first in the Tanami where Traditional Owners have allowed exploration for both uranium and gold. This area of the Tanami has been identified by the Australian Geological Survey Organisation, the predecessor to Geoscience Australia, as having very similar geological characteristics as the uranium rich South Alligator Rivers area of the Northern Territory.



**Joe Houldsworth**  
MANAGING DIRECTOR



**Figure 1** Location of Tanami Exploration Initiative licence areas.

For further information please contact:

**ERO Mining** on 08 7324 3195, or

Investor relations:

**Mr Duncan Gordon,**

Executive Director, Adelaide Equity Partners  
on 0404 006 444

Further information relating to ERO Mining Limited and its various exploration projects can be found on its website: [www.eromining.com](http://www.eromining.com)

### Disclaimer

*This report contains forward looking statements that are subject to risk factors associated with the exploration and mining industry.*

*It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

ERO MINING LIMITED

ABN

40 119 031 864

Quarter ended ("current quarter")

30 JUNE 2013

### Consolidated statement of cash flows

| Cash flows related to operating activities        |                                                            | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---------------------------------------------------|------------------------------------------------------------|----------------------------|---------------------------------------|
| 1.1                                               | Receipts from product sales and related debtors            | -                          |                                       |
| 1.2                                               | Payments for (a) exploration & evaluation                  | (100)                      | (372)                                 |
|                                                   | (b) development                                            | -                          | -                                     |
|                                                   | (c) production                                             | -                          | -                                     |
|                                                   | (d) administration                                         | (34)                       | (493)                                 |
| 1.3                                               | Dividends received                                         | -                          | -                                     |
| 1.4                                               | Interest and other items of a similar nature received      | 5                          | 32                                    |
| 1.5                                               | Interest and other costs of finance paid                   | -                          | -                                     |
| 1.6                                               | Income taxes paid                                          | -                          | -                                     |
| 1.7                                               | Other (provide details if material)                        | -                          | -                                     |
| <b>Net Operating Cash Flows</b>                   |                                                            | <b>(129)</b>               | <b>(833)</b>                          |
| <b>Cash flows related to investing activities</b> |                                                            |                            |                                       |
| 1.8                                               | Payment for purchases of: (a) prospects                    | -                          | -                                     |
|                                                   | (b) equity investments                                     | -                          | -                                     |
|                                                   | (c) other fixed assets                                     | -                          | -                                     |
| 1.9                                               | Proceeds from sale of: (a) prospects                       | -                          | -                                     |
|                                                   | (b) equity investments                                     | -                          | -                                     |
|                                                   | (c) other fixed assets                                     | -                          | -                                     |
| 1.10                                              | Loans to other entities                                    | -                          | -                                     |
| 1.11                                              | Loans repaid by other entities                             | -                          | -                                     |
| 1.12                                              | Proceeds from sale of exploration assets                   | 28                         | 28                                    |
| <b>Net investing cash flows</b>                   |                                                            | <b>28</b>                  | <b>28</b>                             |
| 1.13                                              | Total operating and investing cash flows (carried forward) | <b>(101)</b>               | <b>(805)</b>                          |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |                                                            |            |            |
|------|------------------------------------------------------------|------------|------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (101)      | (805)      |
|      | <b>Cash flows related to financing activities</b>          |            |            |
| 1.14 | Proceeds from issues of shares, options, etc.              | -          | (16)       |
| 1.15 | Proceeds from sale of forfeited shares                     | -          | -          |
| 1.16 | Proceeds from borrowings                                   | -          | -          |
| 1.17 | Repayment of borrowings                                    | -          | -          |
| 1.18 | Dividends paid                                             | -          | -          |
| 1.19 | Other (provide details if material)                        | -          | -          |
|      | <b>Net financing cash flows</b>                            | -          | (16)       |
|      | <b>Net increase (decrease) in cash held</b>                | (101)      | (821)      |
| 1.20 | Cash at beginning of quarter/year to date                  | 505        | 1,225      |
| 1.21 | Exchange rate adjustments to item 1.20                     | -          | -          |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>404</b> | <b>404</b> |

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

|      |                                                                  | Current quarter<br>\$A'000 |
|------|------------------------------------------------------------------|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 3 <sup>1</sup>             |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | -                          |

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

**Financing facilities available**

+ See chapter 19 for defined terms.

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000    |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 114        |
| 4.2 Development                | -          |
| 4.3 Production                 | -          |
| 4.4 Administration             | 152        |
| <b>Total</b>                   | <b>266</b> |

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

|                                                  | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--------------------------------------------------|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 404                        | 505                         |
| 5.2 Deposits at call                             | -                          | -                           |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other (provide details)                      | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b> | <b>404</b>                 | <b>505</b>                  |

### Changes in interests in mining tenements

|                                                                   | Tenement reference | Nature of interest<br>(note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-------------------------------------------------------------------|--------------------|----------------------------------|----------------------------------|----------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | EL 5241            | Holder                           | 100%                             | 0%                         |
|                                                                   | EL 5242            | Holder                           | 100%                             | 0%                         |
|                                                                   | EL 5243            | Holder                           | 100%                             | 0%                         |
|                                                                   | EL 5244            | Holder                           | 100%                             | 0%                         |
|                                                                   | EL 4838            | Holder                           | 100%                             | 0%                         |
|                                                                   | EL 26625           | Holder                           | 100%                             | 100%<br>(50% relinquished) |

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

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|     |                                                     |     |
|-----|-----------------------------------------------------|-----|
| 6.2 | Interests in mining tenements acquired or increased | N/A |
|-----|-----------------------------------------------------|-----|

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+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

|                                                                                                                                | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|-----------------------------------------------|--------------------------------------------------|
| 7.1 <b>Preference securities</b><br>(description)                                                                              |              |               |                                               |                                                  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |                                               |                                                  |
| 7.3 <b>*Ordinary securities</b>                                                                                                | 629,227,041  | 629,227,041   |                                               |                                                  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              |              |               |                                               |                                                  |
| 7.5 <b>*Convertible debt securities</b><br>(description)                                                                       |              |               |                                               |                                                  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |              |               |                                               |                                                  |
| 7.7 <b>Options</b><br>(description and conversion factor)                                                                      | 441,666      |               | Exercise price<br>\$0.028                     | Expiry date<br>03/02/2014                        |
| 7.8 Issued during quarter                                                                                                      |              |               |                                               |                                                  |
| 7.9 Exercised during quarter                                                                                                   |              |               |                                               |                                                  |
| 7.10 Expired during quarter                                                                                                    |              |               |                                               |                                                  |
| 7.11 <b>Debentures</b><br>(totals only)                                                                                        |              |               |                                               |                                                  |

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

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|      |                                     |  |  |
|------|-------------------------------------|--|--|
| 7.12 | Unsecured<br>notes (totals<br>only) |  |  |
|------|-------------------------------------|--|--|

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

  
.....  
(Director/Company secretary)

Date: 31/07/13

Print name:

Justin Nelson

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.