



Australian Securities Exchange Announcement

19 August 2013

Rights Issue – Lodgement of Prospectus

Please find enclosed a prospectus for the pro-rata non-renounceable rights issue (**Offer**) by ERO Mining Limited (ASX:ERO), lodged with ASIC this morning.

The Offer will raise up to approximately \$1.62 million. This is \$0.42 million in excess of the raising amount of \$1.2 million referred to in the ASX release of 5 August 2013, when the terms of the Offer were first announced. The difference is accounted for by the possibility that completion of the acquisitions of the Spargoville Gold Project and Valley Floor Resources Pty Ltd and consequent issue of shares to the vendors will take place on or before the Record Date for the Offer (27 August 2013), thereby increasing the number of shares on issue at the Record Date from 629,227,041 to 812,560,374. Full details of the Offer are set out in the prospectus.

The prospectus together with an Entitlement and Acceptance Form will be sent to Eligible Shareholders on 2 September 2013.

ERO Mining Limited

ACN 119 031 864

Entitlement Issue Prospectus

This Prospectus relates to an offer to Shareholders of 2 shares (**New Shares**) for every 3 existing shares held together with 1 free attaching option for every 2 New Shares subscribed for, exercisable at \$0.006 on or before 24 September 2014 (**New Options**).

The New Shares are offered at a price of \$0.003 each to raise up to \$1,625,121.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker or other professional adviser.

CORPORATE DIRECTORY

Directors

Robert Kennedy (Chairman)

Joseph Houldsworth (Managing Director)

Ewan Vickery (Non-Executive Director)

Company Secretary

Justin Nelson

Registered Office and Principal Place of Business

Level 3, 100 Pirie Street
Adelaide SA 5000

Phone: 08 7324 3195

Fax: 08 8312 5576

Website

www.eromining.com

Share Registry

Computershare Investor Services
Level 5, 115 Grenfell Street
Adelaide SA 5000

Phone: 1300 556 161 (within Australia)

+61 3 9415 4000 (outside Australia)

Fax: 1300 534 987 (within Australia)

+61 3 9473 2408 (outside Australia)

Stock Exchange Listing

Australian Securities Exchange

ASX Code: ERO

CONTENTS

Important Notices.....	1
Summary of Key Dates	2
1. Details of the Offer.....	2
2. How to Apply	11
3. Information about the Company.....	12
4. Risks	15
5. Additional Information.....	17
6. Glossary and Interpretation.....	20

Chairman's Letter

Dear Fellow Shareholders

I commend this rights issue to you as it heralds a new beginning for the company exploring for gold in the Eastern Goldfields of Western Australia whilst retaining our prospective tenements in the Tanami Region of the Northern Territory.

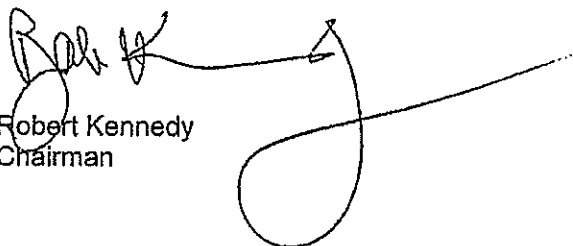
We are delighted that Joe Houldsworth has joined us and put together the package of tenements which, subject to shareholder approval, will be explored as soon as the capital raising has been completed. Joe is well known and highly regarded in the gold industry. He is the successful discoverer of the Wattle Dam mine, now fully mined, which resides in the Spargoville tenements which have been offered to the company and are the subject of one of the resolutions being put to shareholders. We are indeed fortunate that Joe will lead the exploration of the tenements in a very hands on way.

The prospectivity of these tenements is set out below and I urge you to read the Prospectus in full in order to obtain a complete understanding of the offering being made.

I intend to take up my entitlements, subject to rounding, and to underwrite a portion of shares in any shortfall. My fellow directors also intend to underwrite a portion of shares in any shortfall. I invite you to take up your Entitlement after reading the risk section of this Prospectus and seeking the advice of your financial advisor.

I look forward to embarking on the journey of discovery with Joe as we explore the Eastern Goldfields with your support.

Yours faithfully,


Robert Kennedy
Chairman

Important Notices

Risks

An investment in the Offer made under this Prospectus should be considered speculative. The attention of investors is drawn to the Risks section of this Prospectus.

Lodgement

This Prospectus is dated 19 August 2013 (**Prospectus Date**). A copy of this Prospectus was lodged with ASIC on that date. ASIC takes no responsibility as to the contents of this Prospectus.

Expiry Date

No securities will be issued or allotted on the basis of this Prospectus later than 13 months after the Prospectus Date.

Advice

This is an important document. Before deciding to apply for New Securities you should consider whether they are a suitable investment for you. Persons wishing to subscribe for New Securities offered by this Prospectus should carefully read this Prospectus and consult their professional advisers for the purpose of making an informed assessment of the effect of investing in the Company and the rights and liabilities attaching to, and the nature of, the New Securities offered by this Prospectus.

Jurisdiction

This Offer is only being made to members of the public within Australia and New Zealand. The Company has determined that it would be unreasonable to make an offer under this Prospectus to persons that are not residents of Australia and New Zealand, having regard to the cost of complying with legal requirements in foreign countries. Neither this Prospectus nor the Entitlement and Acceptance Form constitute an offer of, or an invitation by or on behalf of the Company to subscribe for

or purchase any of the New Securities in any jurisdiction or to any person to whom it is unlawful to make such an offer or invitation.

Entitlement and Acceptance Forms

Applications for New Securities may only be made using an Entitlement and Acceptance Form attached to or accompanying the Prospectus.

The Corporations Act prohibits any person from passing on to another person an Entitlement and Acceptance Form unless it is attached to or accompanies a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Representations

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Offer.

Summary of Key Dates

EVENT	DATE
Prospectus lodged with ASIC and ASX	19 August 2013
"Ex" date	21 August 2013
Record Date to identify Shareholders entitled to participate in the Offer	27 August 2013
Prospectus and Entitlement and Acceptance Forms dispatched to Shareholders	2 September 2013
Opening date	2 September 2013
Closing date for acceptances	16 September 2013
Shares quoted on a deferred settlement basis	17 September 2013
Notification to ASX of under subscriptions	19 September 2013
Issue date for New Securities issued under the Offer Deferred settlement trading ends	24 September 2013
Trading of New Securities on ASX commences	25 September 2013

This timetable is indicative only and subject to change. The Company reserves the right to vary the dates of the Offer subject to the Corporations Act, ASX Listing Rules and other applicable laws.

1. Details of the Offer

1.1 The Offer

This is an offer of up to 541,706,916 New Shares to the Shareholders of the Company who are registered on the Record Date together with up to 270,853,458 free New Options on the basis of one New Option for every 2 New Shares subscribed for. Two New Shares are offered for every 3 shares held at a price of \$0.003 each to raise up to \$1,625,121 (before costs). The New Options are exercisable from Quotation Date until the Expiry Date of 24 September 2014 at a price of \$0.006 per option to convert into up to 270,853,458 ordinary shares.

1.2 Issue Price

The issue price is \$0.003 per New Share payable in full on application. The issue price is nil per New Option.

1.3 Fractional entitlements

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

1.4 Purpose of the Rights Issue

The purpose of the Offer is to raise up to \$1,625,121 for New Shares and \$1,625,121 on exercise of the New Options. There is no guarantee that all or any of the New Options will be exercised. The funds raised from the Offer are to be used for:

- Initial air core reconnaissance drilling to test the interpreted structures for gold mineralisation at the Valley Floor Gold Prospect, 15 km south of Kambalda;
- An initial review of the extensive database from the Spargoville Gold Project, further to the west of Valley Floor and containing the previously mined high grade 286,000 ounce Wattle Dam gold mine. This review will prioritise drill targets within the numerous gold occurrences that exist along the 30 kilometre strike length of the project area including:
 - **8500N prospect** – where further exploratory drill testing is required to test for high grade mineralised embayments along the Porphyry and Ultramafic contact;
 - **Golden Orb** – hosted in the same prospective sequence as Wattle Dam Gold mine and has potential for a Blind High Grade Eastern Zone similar to Wattle Dam;
 - **West Larkinvile** – further drill testing is required to delineate a bed rock source for the enriched blanket of supergene gold mineralisation;
 - **Eagles Nest** – requires further exploratory Reverse Circulation drilling to evaluate deeper high grade targets.
- Exploring for blind orogenic structurally controlled gold lode systems similar to Wattle Dam Gold mine including extensions and repeats;
- General working capital
- Expenses of the Offer

In the event that the Company does not complete the proposed acquisitions of the Spargoville Gold Project and Valley Floor Resources Pty Ltd, the funds raised from the Offer will be used for due diligence and execution of alternative acquisitions and allocated towards progressing the Tanami Projects, north-west of Alice Springs in the Northern Territory and general working capital.

1.5 Effect of the Offer on Capital Structure

The effect of the Offer and the issue of shares to acquire the Spargoville Project and Valley Floor Resources Pty Ltd on the capital structure of the Company is set out in the following tables:

Table 1

	Shares and options currently on issue	New Shares and New Options offered pursuant to this Prospectus ¹	Total shares and options on issue on completion of the Offer ¹
Ordinary shares	629,227,041	419,484,694	1,048,711,735
Unquoted options	441,666		441,666
Quoted options	Nil	209,742,347	209,742,347

Table 2

	Shares and options currently on issue	Shares to be issued to acquire Spargoville Project	Shares to be issued to acquire Valley Floor Resources Pty Ltd	Total shares and options on issue at the Record Date for the Offer ²	New Shares and New Options offered pursuant to this Prospectus ²	Total shares and options on issue on completion of the Offer ²
Ordinary shares	629,227,041	133,333,334	49,999,999	812,560,374	541,706,916	1,354,267,290
Unquoted options	441,666			441,666		441,666
Quoted options	Nil			Nil	270,853,458	270,853,458

1.6 Effect of the Offer on Control

The substantial shareholders in the Company are set out below:

Name	Number of shares held	Percentage of issued shares
Maximus Resources Limited	44,607,143	7.09%
RMK Super Pty Ltd	37,700,000	5.99%

RMK Super Pty Ltd is an entity controlled by Chairman, Mr Robert Kennedy.

¹ This assumes all Entitlements are accepted and that the issue of vendor shares to acquire the Spargoville Project and Valley Floor Resources Pty Ltd does not occur on or before the Record Date and that none of the options referred to in section 1.13 of the Prospectus are exercised before the Record Date.

² This assumes all Entitlements are accepted and that the issue of vendor shares to acquire the Spargoville Project and Valley Floor Resources Pty Ltd has occurred on or before the Record Date and that none of the options referred to in section 1.13 of the Prospectus are exercised before the Record Date.

Mr Kennedy and his associates, including RMK Super Pty Ltd, have a combined voting power of 10.25% (64,487,212 shares) as at the date of this Prospectus. Moreover, Mr Kennedy may be issued an additional 7,142,857 shares in the Company before the Record Date for the Offer if shareholders approve the acquisition of Valley Floor Resources Pty Ltd at the Annual General Meeting on 23 August 2013, and various other conditions in relation to completion of this acquisition are concluded. In addition, Mr Kennedy has agreed to apply for 5,449,905 shares pursuant to an Underwriting Agreement as outlined in section 5.5 of this Prospectus. Therefore, if Mr Kennedy and his associates take up their full Entitlement, the number of shares in the Company issued to Mr Kennedy on completion of the Offer will be up to 124,833,354, as set out in the below table.

Description of holding	Number of shares
Existing shares	64,487,212
Shares issued on completion of Valley Floor Resources Pty Ltd acquisition	7,142,857
Shares issued pursuant to Underwriting Agreement	5,449,905
Entitlement	47,753,380
Total	124,833,354

The following table summarises the potential impact of the Offer on Mr Kennedy's voting interest, as follows:

	Voting power if 25% of Shareholders take up their Entitlement ³	Voting power if 50% of Shareholders take up their Entitlement ³	Voting power if all Shareholders take up their Entitlement ³
	13.17%	11.52%	9.22%

In respect of Maximus Resources Limited, the following table summarises the potential impact of the Offer on its voting interest assuming Maximus takes up its full Entitlement.

	Voting power if 25% of Shareholders take up their Entitlement ³	Voting power if 50% of Shareholders take up their Entitlement ³	Voting power if all Shareholders take up their Entitlement ³
	7.84%	6.86%	5.49%

1.7 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances on the Opening Date and closes on the Closing Date. The Directors reserve the right to vary the dates of the Offer, including extending the Closing Date subject to the Corporations Act, ASX Listing Rules or other applicable laws. Investors are therefore urged to lodge their Entitlement and Acceptance Forms as soon as possible.

1.8 Rights Trading

The Rights to the New Shares and New Options are non-renounceable, which means that Rights will not be traded.

1.9 Acceptances

Shareholders may accept all or part of their Entitlement.

Instructions for completion are set out on the accompanying Entitlement and Acceptance Form. Acceptance must not exceed your Entitlement as shown on that form.

³ This assumes that the issue of vendor shares to acquire the Spargoville Project and Valley Floor Resources Pty Ltd has occurred on or before the Record Date and that none of the options referred to in section 1.13 of the Prospectus are exercised before the Record Date.

1.10 **ASX Listing**

Application has been made for the New Shares and New Options offered under this Prospectus to be granted official quotation by the ASX. The granting by ASX for the official quotation of the New Shares and New Options is not guaranteed.

If the New Shares are not admitted to quotation on the ASX within 3 months after the date of this Prospectus, none of the New Shares offered under this Prospectus will be issued and allotted and all application monies will be refunded.

If the New Options are not admitted to quotation on the ASX within 3 months after the date of this Prospectus, the Company will withdraw the quotation application to ASX, and the New Options will remain unquoted.

The ASX takes no responsibility for the contents of this Prospectus.

1.11 **Rights attaching to Shares**

Full details of the rights attaching to Shares are set out in the Company's constitution, a copy of which may be inspected at the Company's registered office. A summary of the rights follows.

Voting rights

At a general meeting every shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and every shareholder present in person or by proxy, attorney or representative has one vote for each Share on a poll.

Dividends

Dividends are declared by the Directors at their discretion and subject to any special rights (at present there are none) are payable on all Shares in proportion to the amount of capital for the time being paid up or credited as paid up on those Shares.

Transfer of Shares

Generally, Shares are freely transferable. Where the Listing Rules or the law require the Company to do so, the Directors must decline to register a transfer. If Shares are subject to a restriction agreement entered into by the Company and Shareholder, except as permitted by the Listing Rules, a Shareholder may not dispose of the Shares and the Directors and the Company will not register a dealing in the Shares.

Future increases in capital

The allotment or issue of any Shares of the Company is under the control of the Directors who may, subject to the Corporations Act and the Listing Rules, allot or otherwise dispose of them on such conditions as they see fit.

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 a majority of not less than 75% of those present and voting.

Rights on winding up

In the event of a winding up of the Company:

- any surplus will be divided among the Shareholders in the proportion that the amount paid up on the Shares bears to the total amount paid up on all Shares of the Company on issue;
- surplus assets in kind may, with the sanction of a special resolution, be divided among Shareholders in such proportion as the liquidator may determine.

1.12 Terms of the New Options

The terms and conditions of the New Options are as follows.

- (1) Each New Option entitles the holder to subscribe for one Share.
- (2) The New Options will expire at 5pm (Adelaide time) on 24 September 2014 (**Expiry Date**). Any New Option which has not been exercised before that date automatically lapses.
- (3) Each New Option is exercisable at an exercise price of \$0.006 per Share at any time before the Expiry Date.
- (4) Some or all of the New Options may be exercised at any one time or times prior to the Expiry Date provided that if the number of New Options held is less than 100,000 then all the New Options must be exercised at one time and if more than 100,000 New Options are held they must be exercised in parcels of at least 100,000.
- (5) New Options will be fully transferable in accordance with the constitution of the Company and, for such time as the Company is listed, the Listing Rules.
- (6) No certificates will be issued for the New Options, but holding statements will be issued to holders for New Options issued.
- (7) Shares issued pursuant to the exercise of any New Option will rank in all respects on equal terms with the existing Shares.
- (8) Shares issued pursuant to the exercise of a New Option will be issued on a date which will not be more than 10 business days after the receipt of a properly executed notice of exercise of option and the application moneys in respect of the exercise of the New Option.
- (9) Application will be made by the Company to the ASX for permission for quotation to be granted in respect of Shares issued upon exercise of any of the New Options in the manner required by the Listing Rules.

- (10) Holders can exercise New Options by completing and submitting a notice of exercise of options (which is set out on the holding statement for the New Options or, if none, such form as the Directors may accept) to the Company's share registry together with the required exercise price.
- (11) A New Option will not entitle the holder to participate in any new issue of Shares by the Company, unless the New Option has been duly exercised prior to the relevant record date.
- (12) If there is a reconstruction or reorganisation (including consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the holder will be changed to the extent necessary to comply with the applicable Listing Rules at the time of the restructure or reorganisation. Any changes to the terms of the New Options will not result in any benefit being conferred on the holder which is not conferred on the Shareholders of the Company.
- (13) If there is a pro-rata issue (except a bonus issue) to the holders of Shares, the exercise price of each New Option will be reduced according to the following formula:

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

Where

- O' = The new exercise price of the New Option
- O = The old exercise price of the New Option
- E = The number of Shares into which one New Option is exercisable
- P = The average market price per Share (weighted by volume) of Shares during the 5 trading days ending on the day before the ex-rights or ex-entitlements date
- S = The subscription price for a Share under the pro-rata issue
- D = The dividend due but not yet paid on Shares (except those to be issued under the pro-rata issue)
- N = The number of Shares with rights or entitlements that must be held to receive a right to one new Share

- (14) If there is a bonus issue to the holders of Shares, the number of Shares over which the New Option is exercisable will be increased by the number of Shares which the holder of the New Option would have received if the New Option had been exercised before the record date for the bonus issue.

- (15) In the event of a winding up of the Company unexercised New Options will have no right to a distribution of surplus assets of the Company.
- (16) The Listing Rules prevail to the extent of any inconsistency with these terms.
- (17) These terms are governed by the laws of South Australia and the holder submits to the non-exclusive jurisdiction of South Australian courts and courts of appeal from them.

1.13 **Effect of the Rights Issue on Option holders**

The Company currently has 441,666 unquoted options on issue exercisable at \$0.028 (2.8 cents), expiring 3 February 2014.

Option holders may participate in the Rights Issue by exercising any or all of these options before the Record Date. The exercise of any options prior to the Record Date will increase the issued capital of the Company and may increase the number of New Securities issued under the Rights Issue and the total amount raised under the Rights Issue.

Option holders cannot participate in the Rights Issue without exercising their options.

1.14 **Minimum Capital Raising**

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

1.15 **Shortfall in subscription**

The Directors reserve the right to issue any shortfall in subscription for New Securities at their discretion within 3 months after the close of the Offer (**Shortfall Offer**). Offers of shortfall are made as a separate offer under this Prospectus. Should the Directors decide to issue any shortfall, the Shortfall Offer will remain open after the Closing Date.

1.16 **Overseas Shareholders**

This Offer is only being extended to Shareholders with registered addresses in Australia and New Zealand. All other Shareholders (**Non-Resident Shareholders**) will not be offered Rights under this Prospectus. The Company has determined, in accordance with the Listing Rules, that it would be unreasonable to make an offer under this Prospectus to Non-Resident Shareholders having regard to:

- the number of Shareholders in the places where the offer would be made;
- the number and value of the Rights that would be offered; and
- the cost of complying with the legal requirements in those places.

No Entitlement and Acceptance Forms are being sent to Non-Resident Shareholders.

Neither this Prospectus nor the Entitlement and Acceptance Form constitute an offer of, or an invitation by or on behalf of the Company to subscribe for or purchase any of the New Securities in any jurisdiction or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and Entitlement and Acceptance Form, and the offering of New Securities, in certain jurisdictions may be restricted by law. Persons into whose possession such documents come should inform themselves about and comply with those restrictions.

1.17 **Taxation**

Shareholders should be aware that there are taxation implications for subscribing for New Securities. These taxation implications will vary between different Shareholders and Shareholders should consult their own professional tax adviser in relation to the taxation implications.

2. **How to Apply**

2.1 **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 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.

2.2 **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 your cheque for the total amount payable to reach the Company's share registry by 5:00 pm (ACST) on the Closing Date.

For payment by BPAY, please follow the instructions on the Entitlement and Acceptance Form. Please note that should you choose to pay by BPAY, you do not need to submit the Entitlement and Acceptance Form. Your BPAY payment must be received by 5:00 pm (ACST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with respect to electronic payment and you should take this into account when making payment.

2.3 **Applying for Additional New Securities**

If a Shareholder wishes to take up any New Securities offered on the basis of this Prospectus which are not taken up by other Shareholders (**Additional New Securities**), 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 New Shares they wish to take up.

The number of Additional New Securities available will depend on the level of acceptance of Entitlements by Eligible Shareholders and whether the directors decide to issue the shortfall. Accordingly you may not receive the full amount or any of the Additional New Securities for which you have applied. Additional New Securities, if available, will be issued under the Shortfall Offer.

2.4 Shortfall

Investors in Australia and New Zealand other than Shareholders that wish to take up any New Securities offered on the basis of this Prospectus not taken up by 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.

2.5 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 Offer under the Shortfall Offer.

3. Information about the Company

3.1 Disclosing Entity

This Prospectus is issued pursuant to section 713 of the Corporations Act as a prospectus for the offer of continuously quoted securities and options to acquire continuously quoted securities.

The Company is a "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, the Company is subject to the Listing Rules of the ASX which require continuous disclosure to the market of any information the Company has which a reasonable person would expect to have a material effect on the price or value of the Company's Shares.

The ASX maintains files containing publicly disclosed information about all listed companies. The Company's file is available for inspection at the ASX during normal working hours or via the ASX website at www.asx.com.au. In addition, copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, any regional office of the ASIC.

3.2 Information Available to Shareholders and Prospective Investors

The Company will provide a copy of each of the following documents free of charge, to any Shareholder or prospective investor who so requests during the application period under this Prospectus:

- the 2013 Annual Report of the Company which contains the financial statements and consolidated financial statements for the 2013 financial year;

- the half-year report of the Company for the period ended 31 December 2012; and
- the following announcements lodged with the ASX since release of the 2013 Annual Report:

Date	Announcement
15/08/2013	Spargoville Update
05/08/2013	Non-Renounceable Issue
31/07/2013	Quarterly Activities and Cashflow Report
23/07/2013	ERO Annual General Meeting Sample Proxy Form
22/07/2013	Notice of Annual General Meeting

3.3 Market Prices of the Company's Shares on ASX

The highest and lowest market sale price of the Company's shares on the ASX during the 3 months immediately preceding the date of this Prospectus, and the respective dates of those sales, and the last sale on the ASX trading day immediately preceding the date of this Prospectus were as follows:

	Price	Dates
Highest	\$0.005	16 May, 14 June, 27 June, 1 July, 2 July
Lowest	\$0.002	9 August 2013
Latest	\$0.004	16 August

3.4 Effect of the Rights Issue on the Company

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

- increase cash reserves by up to \$1,625,121 (before expenses of the Rights Issue are taken into account) to enable the Company to pursue its objectives;
- result in the Company having on issue up to an additional 541,706,916 shares and 270,853,458 options;
- Increase cash reserves by up to \$1,625,121 on exercise of the New Options;
- result in the Company having on issue on exercise of the New Options, up to an additional 270,853,458 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.

3.5 Statement of Financial Position

Set out below are alternate Pro Forma Consolidated Statements of Financial Position of the Company taking into account the Rights Issue assuming all

Entitlements are accepted and that the issue of vendor shares to acquire the Spargoville Project and Valley Floor Resources Pty Ltd has not occurred on or before the Record Date (**Minimum Subscription**), and assuming all Entitlements are accepted and that the issue of vendor shares to acquire the Spargoville Project and Valley Floor Resources Pty Ltd has occurred on or before the Record Date (**Maximum Subscription**). They are based on consolidated financial statements for the full year ended 30 June 2013. The Pro Forma Consolidated Statements of Financial Position illustrate the effect of the Rights Issue as if the Rights Issue had occurred on 30 June 2013 and assuming none of the options referred to in section 1.13 of the Prospectus are exercised before the Record Date.

ERO Mining Group
Consolidated Balance Sheet
As at 30 June 2013

Current Assets	30 June 2013	Minimum Subscription	Maximum Subscription
Cash & cash equivalents	404,420	1,577,644	1,944,311
Trade and other receivables	11,082	11,082	11,082
Other current assets	9,022	9,022	9,022
Total Current Assets	424,524	1,597,748	1,964,415
Non Current Assets			
Property Plant & Equipment	3,291	3,291	3,291
Exploration & Evaluation	227,870	227,870	227,870
Total Non Current Assets	231,161	231,161	231,161
Total Assets	655,685	1,828,909	2,195,576
Current liabilities			
Trade and other payables	54,086	54,086	54,086
Current leave provisions	4,137	4,137	4,137
Total Current Liabilities	58,223	58,223	58,223
Total Liabilities	58,223	58,223	58,223
Net Assets	597,462	1,770,686	2,137,353

Equity

Contributed equity	32,344,411	33,543,204	33,909,871
Retained losses	(32,780,427)	(32,805,996)	(32,805,996)
Reserves	1,033,478	1,033,478	1,033,478
Total Equity	597,462	1,770,686	2,137,353

Exercise of all New Options would increase Current Cash assets by up to \$1,625,121. **There is no guarantee that all or any of the New Options will be exercised.**

4. **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.

Completion of the acquisitions of the Spargoville Gold Project and Valley Floor Resources Pty Ltd

The completion of the acquisitions of the Spargoville Gold Project and Valley Floor Resources Pty Ltd are subject to various conditions, including receipt of the necessary shareholder approvals at the Annual General Meeting of the Company to be held on 23 August 2013. There is no guarantee that the relevant conditions, including the receipt of the necessary shareholder approvals will be fulfilled. Moreover, the use of the funds from the Offer outlined in section 1.4 of this Prospectus is subject to the completion of the acquisitions of the Spargoville Gold Project and Valley Floor Resources Pty Ltd. In the event that the Company does not complete the proposed acquisitions, the funds will need to be allocated in the alternate manner set out in section 1.4 of this Prospectus.

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 labour, engaging contractors, consumables, spare parts, plant and equipment.
- Prevention or restriction of access by reasons 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 of 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.

5. Additional Information

5.1 Directors' Interests

Other than as set out below or elsewhere in this Prospectus:

- (a) no director or proposed director has, or has had in the two years before the date of this Prospectus, any interest in:
 - the formation or promotion of the Company;

- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
 - the Offer; and
- (b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to:
- any director or proposed director to induce him or her to become, or to qualify as, a director of the Company; or
 - any director or proposed director for services which he or she has provided in connection with the formation or promotion of the Company or the Offer.

5.2 Interests in securities

The securities of the Company in which Directors have Relevant Interests are:

Director	Shares	Options	Retention Rights
Robert Kennedy	64,487,212	Nil	Nil
Joseph Houldsworth	1,000,000	Nil	20,000,000
Ewan Vickery	2,000,000	Nil	Nil

5.3 Directors' fees

The following table shows the total remuneration paid per financial year to Directors (inclusive of superannuation).

Director	Fee (inclusive of superannuation) (2012 Financial Year)	Fee (inclusive of superannuation) (2013 Financial Year)
Robert Kennedy Chairman	15,017	67,575
Joseph Houldsworth (commenced 14 May 2013) Managing Director	N/A	31,250
Ewan Vickery (commenced 14 May 2013) Non-executive Director	N/A	-

5.4 Interests of persons involved in the Offer

Other than as set out below or elsewhere in this Prospectus:

- (a) no promoter of the Company or person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or has in the two years before the date of this Prospectus had, any interest in:
- the formation or promotion of the Company;
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
 - the Offer; and
- (b) no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any promoter of the Company, underwriter to the Offer or a financial services licensee involved in the Offer or other person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus or provided in connection with the formation or promotion of the Company, or the Offer.

5.5 Underwriting

All of the Directors (or entities they control) have signed Underwriting Agreements with the Company, under which they have agreed to apply for shares in the following amounts:

Director	Controlled entity (if applicable)	Underwritten shares	Underwritten amount
Robert Kennedy	RMK Super Pty Ltd	5,000,000	\$15,000
Robert Kennedy	Triple Eight Gold Pty Ltd	449,905	\$1,350
Joseph Houldsworth	Lone Hand & Associates Pty Ltd as trustee for Houldsworth-Moffett Family Trust	6,666,667	\$20,000
Ewan Vickery	Ewan John Vickery	572,788	\$1,719
Ewan Vickery	Ewan John Vickery & Helen Caroline Vickery < Super Fund A/C >	17,093,878	\$51,282
Ian Witton	Ian Roy Witton &	2,000,000	\$6,000

Director	Controlled entity (if applicable)	Underwritten shares	Underwritten amount
	Pamela Margaret Witton as trustees for the Witton Super Fund		
	TOTAL	31,783,238	\$95,351

Each Underwriting Agreement is in the same terms, summarised as follows:

- the Directors' obligations only become binding if there is a shortfall in the subscription for New Shares under the Rights Issue. If there is a shortfall, each Director (or their controlled entity) (**Underwriter**) must apply for the number of shares specified above;
- the Underwriter must apply for and pay for the New Shares, and the Company must allot and issue the New Shares, on a date to be agreed that is within 15 business days after the Closing Date;
- the issue price for the New Shares will be \$0.003 each, and the New Shares will otherwise be issued pursuant to this Prospectus.

5.6 Expenses of the Rights Issue

On the assumption that the Rights Issue is fully subscribed, the total expenses connected with the Rights Issue, including legal and other advisory fees, listing, printing and other miscellaneous expenses are estimated to be approximately \$85,000.

5.7 Consents

Computershare Investor Services has consented to being named in this Prospectus as share registry for the Company in the form and context in which it is named and at the time of lodgement of this Prospectus, has not withdrawn its consent. Computershare Investor Services takes no responsibility for any part of this Prospectus other than references to its name. Computershare Investor Services does not make any statement in this Prospectus nor is any statement based upon a statement by Computershare Investor Services.

Each Director has consented to the issue and lodgment of this Prospectus.

6. Glossary and Interpretation

In this Prospectus, unless the contrary intention appears:

ASIC means the Australian Securities and Investments Commission;

ASX means ASX Limited;

Closing Date means the closing date of the Rights Issue listed in the "Summary of Key Dates" section of this Prospectus;

Company means ERO Mining Limited ACN 119 031 864;

Corporations Act means the *Corporations Act 2001* (Cth);

Directors means the Directors of the Company;

Eligible Shareholders means on the Record Date, Shareholders recorded on the register of members of the Company as holders of ordinary shares, that have registered addresses in Australia or New Zealand;

Entitlement means the entitlement of an Eligible Shareholder to apply for a number of New Securities under the Offer;

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Prospectus;

Listing Rules means the listing rules of ASX;

New Options means attaching options offered pursuant to this Prospectus;

New Securities means the New Shares and New Options offered pursuant to this Prospectus;

New Shares means shares offered pursuant to this Prospectus;

Offer means the offer of New Securities made on the basis of this Prospectus;

Opening Date means the opening date of the Rights Issue listed in the "Summary of Key Dates" section of this Prospectus;

Prospectus means this document;

Quotation Date means the date of quotation as that term is used in the Listing Rules;

Record Date means the record date to determine the Shareholders entitled to participate in the Rights Issue determined in accordance with the ASX Listing Rules, listed in the "Summary of Key Dates" section of this Prospectus;

Rights means the rights to subscribe for New Securities under this Prospectus;

Rights Issue means the non-renounceable rights issue the subject of this Prospectus;

Shareholders means a holder of Shares;

Shares means fully paid ordinary shares in the Company;

Shortfall Application Form means the shortfall form to be used by an applicant who is not a Shareholder to subscribe for New Securities pursuant to the Prospectus; and

Shortfall Offer has the meaning in section 1.15;

Tenements means those mining tenements in which, as of the date of this Prospectus, the Company has rights to or a contractual or other interest in;

In this Prospectus, unless the contrary intention appears:

- 6.1 words importing the singular include the plural and the plural includes the singular and any gender include the other genders;
- 6.2 if a word or phrase is defined in the Corporations Act or the ASX Listing Rules, it bears the same meaning;
- 6.3 if a word or phrase is defined other parts of speech or grammatical forms of that word have corresponding definitions;
- 6.4 a reference in this Prospectus to a clause, paragraph or section is to a clause, paragraph or section of this Prospectus;
- 6.5 a reference to an annexure is to an annexure to this Prospectus and this Prospectus includes any annexure;
- 6.6 a reference to:
 - 6.6.1 a person includes a natural person, partnership, firm, unincorporated association, corporation and a government or statutory body or authority or other entity;
 - 6.6.2 a person includes the legal personal representatives, successors and assigns of that person;
 - 6.6.3 a statute, ordinance, code or other law includes regulations and other statutory instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- 6.7 time is Adelaide, South Australia time unless stated otherwise;
- 6.8 a right includes a benefit, remedy, direction or power; and
- 6.9 A\$, \$A, \$, dollars (\$) and cents (c) are references to the lawful currency of Australia;
- 6.10 annexures to this Prospectus form part of this Prospectus;
- 6.11 headings are for reference and do not affect interpretation.