



The Manager
Companies Announcements Office
Australian Securities Exchange
20 Bridge Street SYDNEY NSW 2000

ASX Announcement

12 OCTOBER 2010

ERO TO REPOSITION ITSELF WITH FOCUS ON LITHIUM PRODUCTS

Highlights

- Acquisition of highly prospective lithium and uranium exploration projects.
- World-class lithium exploration target at Lake Frome.
- Reinvigorated and highly experienced Board.

The Board of ERO Mining Limited (“ERO” or the “Company”) is pleased to announce that it has reached agreement to acquire 100% of the issued capital of South East Energy Limited (“South East”), an unlisted South Australian based lithium and uranium explorer.

The Company will acquire with South East a package of highly prospective exploration acreage at Lake Frome, Lake Torrens and via its Padthaway project in the South East of South Australia.

WORLD-CLASS LITHIUM EXPLORATION TARGET

As a result of the acquisition the Company will acquire exploration licence applications at Lake Frome and a granted tenement over the southern end of Lake Torrens, all of which are highly prospective for accumulations of lithium in brine charged sediments. Previous exploration of the surface and subsurface brines at Lake Frome carried out by Commonwealth Aluminium Corporation Limited (Comalco) during 1978–80 encountered significant lithium concentration. The levels of lithium encountered by Comalco at Lake Frome compare favourably with lithium recovered commercially from brines at Silver Peak, Nevada, where reported levels vary from 100 to 300 ppm (0.010–0.030%).

Work undertaken by South East to date has resulted in the estimation of a conceptual exploration target of 8 to 10 million tonnes lithium carbonate equivalent of grade range from 10 ppm to 250 ppm* at Lake Frome.

The Lake Frome, Lake Torrens and the Padthaway projects are also considered to be prospective for sandstone-hosted uranium.

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* The potential tonnage and grade is conceptual in nature, as there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

NEW STRATEGY

The past decade has seen phenomenal growth in the demand for lithium for both traditional uses such as in the production of glass, ceramics and aluminium, as well as for the production of lithium batteries for use in hybrid electric vehicles, mobile phones, laptops and other electronic devices. The Company believes the acquisition of South East presents a remarkable opportunity to acquire a tenement package comprising a number of projects which are highly prospective for this highly sought after mineral.

The Company considers that the conditions within the Lake Frome and Lake Torrens region are favourable for the concentration of lithium in brine charged sediments at levels comparable to those extracted by existing lithium producers globally. The Company intends to implement a low cost, low capital development exploration strategy to assess the newly acquired acreage for the presence of lithium and other minerals.

Following the successful completion of the transaction the Company's immediate strategy is to:

- redirect its focus to exploration for lithium within continental brines and sediments of Lake Frome and Lake Torrens, in particular to test the conceptual exploration target of 8 to 10 million tonne lithium carbonate equivalent of a grade range from 10 ppm to 250 ppm* at Lake Frome;
- determine whether potentially commercial accumulations of uranium exist within the Lake Frome, Lake Torrens and Padthaway projects.

NEW BOARD MEMBERS

Upon completion of the transaction the current Board of ERO will be strengthened by the following appointments:

- Mr Shane Gale – CEO
- Dr Neville F Alley – Executive Director
- Mr Hector Gordon – Non Executive Director

Existing directors Messrs Vickery and Lines will step down from the Board. Mr Robert Kennedy will remain as Non Executive Chairman of the Board.

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OFFER DETAILS

As consideration for the acquisition of 100% of the issued capital of South East:

- ERO will issue 4.5 new ERO shares for every existing South East share; and
- ERO will issue 4.5 new ERO options exercisable at 5 cents each on or before 31 October 2011 for every existing SEZ Option

The transaction will have the following impact on the issued capital of the Company:

	No. of Shares	No. of Options
Existing ERO Issued Capital	160,175,576	28,870,880
Share and Options issued to South East	152,325,014	191,250,000
Post Transaction Total	312,500,590	220,120,880

The offer is subject to and conditional upon receipt of ERO shareholder approval for the purposes of listing rule 7.1 and 10.1, which will be sought at a general meeting to be held in the near future.



Ewan Vickery
Non Executive Director

(for and on behalf of the Board)

The following statements apply in respect of the information in this report that relates to Exploration Results, Exploration Targets and Mineral Resources: The information is based on, and accurately reflects information reviewed by Mr Llyle Sawyer, who is a Member of Australian Institute of Geoscientists.

Mr Sawyer is a geologist employed by Geos Mining, whom are independent consultants to South East Energy Limited. He has the relevant experience in relation to the uranium and lithium mineralisation being reported on to qualify as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Identified Mineral Resources and Ore Reserves. Mr Sawyer has consented in writing to the inclusion in this report of the matters based on the information in the form and context in which it appears.

FOR FURTHER INFORMATION

Please contact
ERO Mining Limited
on 08 8132 7970, or

Investor Relations –
Mr Duncan Gordon
Executive Director
Adelaide Equity Partners
on 08 8232 8800 or 0404 006 444

Further information relating to ERO Mining Limited and its various exploration projects can be found on its website:

www.eromining.com