



22 March 2012

ASX ANNOUNCEMENT

Rights Issue – Letter to shareholders

Please find enclosed a letter sent to shareholders today relating to the one-for-one non-renounceable rights issue (“Rights Issue”) by ERO Mining Limited (ASX:ERO).



21 March 2012

Dear Shareholder

Rights Issue

On 15 March 2012, ERO Mining Limited ("ERO") announced a pro rata one-for-one non-renounceable rights issue ("Rights Issue").

The Rights Issue seeks to raise approximately \$1.8 million (before costs) through the issue of approximately 360 million new fully paid ordinary shares in ERO.

Use of Funds

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

- Geophysical surveys and subsequent drill programs at the Peeweena Dam prospect Billa Kalina, South Australia (ERO is 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 and 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.

Details of the Rights Issue

ERO shareholders with registered addresses in Australia or New Zealand at 7.00pm (ACST) on 29 March 2012 ("Record Date") will be eligible to participate in the Rights Issue ("Eligible Shareholders").

ERO has decided that it is unreasonable to make the offer to shareholders who have a registered address in a country outside of Australia or New Zealand, having regard to the number of shareholders in such places, the number and value of the new shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions.

Each Eligible Shareholder will be entitled to subscribe for one new ordinary share in the capital of ERO for every share registered in their name on the Record Date. The new ordinary shares will be issued at a cost of 0.5 cents per share (that is, one half of one cent).

The Rights Issue price reflects a 64% discount to the 30-day closing volume weighted average price of the ERO's shares ending on 14 March 2012, the date prior to the announcement of the Rights Issue.

Existing option holders will need to exercise their options and be a registered holder of shares on the Record Date if they wish to receive an entitlement to participate in the Rights Issue.

The directors reserve the right to place any shortfall within three months after the close of the offer.

Full details of the Rights Issue will be contained in a prospectus lodged with the Australian Securities and Investments Commission and ASX ("Prospectus"). The Prospectus together with an Entitlement and Acceptance Form will be mailed to all Eligible Shareholders on 3 April 2012. A copy of the Prospectus will be available through the ASX website.

Key dates

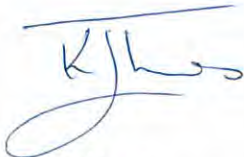
Key dates which shareholders should note are as follows:

- Announcement of Rights Issue – 15 March 2012
- Prospectus lodged with ASIC and ASX – 21 March 2012
- Notice sent to shareholders – 22 March 2012
- 'Ex' date – 23 March 2012
- Record Date – 29 March 2012
- Despatch of Prospectus, Rights Issue opens – 3 April 2012
- Rights Issue closes – 23 April 2012
- ASX notified of under-subscriptions – 27 April 2012
- Allotment of new shares and despatch of holding statements – 2 May 2012

These dates are indicative only and, subject to the *Corporations Act 2001* and the ASX Listing Rules, may be varied as the directors decide.

Applications for new ordinary shares under the Rights Issue may only be made by completing the Entitlement and Acceptance Form which accompanies the Prospectus. Eligible Shareholders should read the Prospectus carefully. For further information on the Rights Issue, you should contact your professional advisor.

Yours faithfully
ERO Mining Ltd



Kevin Lines
CHIEF EXECUTIVE OFFICER