



20 August 2013

Dear Shareholder

On 5 August 2013, ERO Mining Ltd (**Company**) announced a non-renounceable rights issue to shareholders of two new shares for every three existing shares held together with one free attaching new option for every two new shares subscribed for, exercisable at \$0.006 on or before 24 September 2014 (**Rights Issue** or **Offer**).

The Rights Issue seeks to raise up to \$1.6 million (approximately) before costs through the issue of up to 540 million (approximately) new fully paid ordinary shares in the Company.

#### **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:

- 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 Larkinville** – 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.

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.

### Details of the Rights Issue

ERO shareholders with registered addresses in Australia or New Zealand at 7.00pm (ACST) on 27 August 2013 (**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 and new options 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 two new shares in the capital of the Company for every three shares registered in their name on the Record Date. The new shares will be issued at a cost of \$0.003 per share.

The Rights Issue price reflects a 22% discount to the 30-day closing volume weighted average price of the Company's shares ending on 2 August 2013, the most recent trading day prior to the announcement of the Rights Issue.

Existing optionholders 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 the Entitlement and Acceptance Form will be mailed to all Eligible Shareholders on 2 September 2013. A copy of the Prospectus will be available through the ASX website.

### Key Dates

Key dates which shareholders should note are as follows:

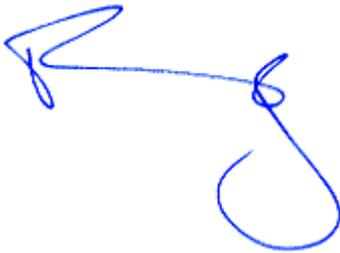
EVENT	DATE
Prospectus lodged with ASIC and ASX	19 August 2013
"Ex" date	21 August 2013
Record Date to identify Shareholders entitled to participate in the Offer	27 August 2013
Prospects and Entitlement and Acceptance Forms dispatched to Shareholders	2 September 2013

EVENT	DATE
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

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 sincerely



**Robert Kennedy**  
**Chairman**  
**ERO Mining Ltd**