

ERO MINING LIMITED

ABN 40 119 031 864

Prospectus

For a 1 for 5 non-renounceable rights issue at \$0.027 per New Share to raise approximately \$1.88 million (before costs).

This document is important and requires your immediate attention. You should read all of it. Ask your stockbroker or other professional adviser for advice if you are not sure what to do.

About this prospectus

This prospectus is issued by ERO Mining Limited (“we”, “our”, “us”).

This prospectus is dated 22 June 2011. A copy of this prospectus was lodged with ASIC and ASX on that date. ASIC and ASX take no responsibility for the contents of this prospectus. The expiry date of this prospectus is 22 July 2012. No securities will be issued under this prospectus after that date.

Risks

Some of the risks involved with investing in our securities are summarised in Part 4. The key risks follow.

- General market conditions
- Future capital requirements
- Exploration and development
- Loss of key personnel
- Native title and Aboriginal heritage
- Title
- Environment
- Agreements with third parties

Quotation of securities

We have applied for official quotation of the Shares on ASX.

Only an offer in Australia and New Zealand

We are only making an offer of Shares to people with an address on our register of members in Australia or New Zealand. We are relying on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand) to make this offer in New Zealand. This prospectus is not an offer in any place in which, or to any person to whom, it would not be lawful to make an offer.

Information about the Rights Issue

The only information about the Rights Issue that has been authorised by us, is the information contained in this prospectus. You must not rely on any other information about the Rights Issue.

Special meanings

Some of the words in this prospectus have special meanings. Those meanings are in Part 5. All financial amounts shown in this prospectus are in Australian dollars, unless stated otherwise.

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Summary of important dates

Lodgement of this prospectus with ASIC	22 June 2011
Record date to determine entitlement to New Shares	30 June 2011
Opening Date	6 July 2011
Closing Date	20 July 2011
Expected date of allotment of New Shares	28 July 2011
Expected date of quotation on ASX	29 July 2011

These dates are indicative only. We reserve the right to vary the dates without prior notice, subject to the *Corporations Act 2001* (Cth) and the Listing Rules.

Part 1 – General Information

What is the Rights Issue?

This is an offer of approximately 69.7 million New Shares to our Eligible Shareholders who are registered on the Record Date. The New Shares are being offered on the basis of one New Share for every 5 Shares then held.

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

What is the issue price?

The issue price is \$0.027 per New Share and is payable in full on application.

What is the purpose of the Rights Issue?

Under the Rights Issue, we are seeking to raise approximately \$1.88 million (before expenses).

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

- Progressing the Wertaloona Lithium Project (100% ERO) beyond the first round of drilling of two fully cored reference drillholes. Samples of the first drillhole (WT2) have been submitted to Genalysis Intertek in Adelaide SA and test results are expected during July 2011.
- Advancing the Tanami Project (100% ERO) northwest of Alice Springs in the Northern Territory where high priority gold and uranium exploration targets have been identified within the recently granted (EL26625) Suplejack and Talbots tenements. Maiden field work is scheduled to commence in July 2011 with a field crew mobilised to the area to conduct soil and rock chip sampling programs.

Opening and Closing Dates

The Rights Issue will open for receipt of acceptances on the Opening Date and closes on the Closing Date. Our directors reserve the right to close the Rights Issue early or extend the Closing Date. You should lodge your Entitlement and Acceptance Form as soon as possible.

Can you transfer your right to New Shares?

The rights to New Shares are non-renounceable, which means that rights may not be traded.

What are the rights attached to New Shares?

New Shares will be issued on the same terms as our Shares that are already on issue. Full details of the rights attached to Shares are set out in our constitution. You can inspect a copy of our constitution at our registered office.

A summary of the rights attached to Shares follows.

- Voting rights

Subject to any rights or restrictions attached to any class of Shares, at a meeting of our members: on a show of hands each member has one vote; and on a poll each member has one vote for each fully paid Share they hold, and a fraction of a vote for each partly paid Share they hold.

- Dividends

Subject to the terms on which Shares are on issue, the directors may pay dividends as they see fit.

- Future issues of Shares

Subject to the Corporations Act 2001 (Cth), the Listing Rules and our constitution, the Company may issue Shares and grant options over unissued Shares, under the control of our directors. We may issue preference shares on terms approved by special resolution. We may reduce our share capital, buy-back Shares and convert Shares into a larger or smaller number.

- Share transfers

Subject to our constitution and the Listing Rules, a shareholder may transfer a Share by an instrument of transfer in any common form or other form approved by the directors.

- 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 at least 75% of the votes cast by members entitled to vote on the resolution.

- Rights on Winding Up

If on a winding up there are enough assets to repay all capital to shareholders, all capital must be repaid to the shareholders and any surplus must be distributed among the shareholders in proportion to the amounts paid on their respective shares before the winding up began.

Subject to any special rights or restrictions attached to Shares, on a winding up, the liquidator may, with the sanction of a special resolution of shareholders, distribute among the shareholders the whole or any part of our property (in its actual state) and decide how to distribute the property as between the shareholders or different classes of shareholders.

Is there a minimum capital raising?

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

Shortfall in subscription

Our directors reserve the right to issue any shortfall in subscription for New Shares at their discretion within 3 months after the close of the Rights Issue.

Part 2 – How to Apply

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 Eligible 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.

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 payment for the total amount payable to reach the Company's share registry by 5:00 pm (Adelaide time) on the Closing Date.

If you wish to take up all of your entitlement, please complete and return the accompanying Entitlement and Acceptance Form in accordance with the instructions on it. Return your completed Entitlement and Acceptance Form (together with payment for your New Shares in full) to reach the Company's share registry by not later than 5.00pm (Adelaide time) on the Closing Date.

Taking up any shortfall

If an Eligible Shareholder wishes to take up any New Shares offered on the basis of this Prospectus which are not taken up by other Eligible Shareholders, Eligible 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 shares they wish to take up.

Investors in Australia other than Eligible Shareholders that wish to take up any New Shares offered on the basis of this Prospectus not taken up by Eligible 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. Shortfall Application Forms together with payment for the New Shares must also be returned before the Closing Date. Receipts will not be issued.

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 Rights Issue.

Part 3 – Information about Us

Disclosing entity information

This prospectus is issued under section 713 of the *Corporations Act 2001* (Cth) as a prospectus for the offer of continuously quoted securities.

We are a "disclosing entity" for the purposes of the Corporations Act 2001 (Cth) and as such are subject to regular reporting and disclosure obligations. Specifically, as a listed company, we are subject to the Listing Rules which require continuous disclosure to the market of any information we have which a reasonable person would expect to have a material effect on the price or value of our Shares.

ASX maintains files containing publicly disclosed information about all listed companies. Our file is available for inspection at ASX in Adelaide during normal working hours. In addition, copies of documents lodged with ASIC in relation to us may be obtained from, or inspected at, any ASIC regional office.

What information will we make available?

We will provide a copy of each of the following documents to you free of charge, if you request it during the application period under this prospectus.

- Our 2010 Annual Report.
- Our December 2010 Half-year Financial Report.
- The following announcements lodged with ASX since the release of our 2010 Annual Report:

Date	Announcement
15/06/2011	ERO Announces Rights Issue
14/06/2011	ERO Appendix 3B
07/06/2011	ERO Appendix 3B
20/05/2011	ERO Drilling Commences for Lithium at Wertalooona SA
12/05/2011	ERO Appendix 3Y x 5
10/05/2011	ERO Revised Appendix 3B
06/05/2011	Potential for new exploration province in SA
29/04/2011	ERO Appendix 5B
28/04/2011	ERO Appendix 3X
19/04/2011	ERO Replacement Appendix 3B
18/04/2011	ERO Appendix 3Y x 5
18/04/2011	ERO Appendix 3B
15/04/2011	ERO Appendix 3B
15/04/2011	ERO SPP Offer Closes
13/04/2011	ERO Quarterly Activities Report at 31 March 2011
08/04/2011	ERO Notice of Waiver Re Options
23/03/2011	ERO Corporate Update and Review of HMS Potential
16/03/2011	ERO Financial Report for half year ended 31 December 2010
07/03/2011	SPP Cleansing Notice
07/03/2011	Share Purchase Plan Offer
28/02/2011	A\$2.97 million Share Purchase Plan to fund 2011 SA-NT lithium-uranium-gold campaign

Date	Announcement
28/02/2011	Major Two State 2011 Drilling and Exploration Program
16/02/2011	Appendix 3Y x4
11/02/2011	Appendix 3B
11/02/2011	Exercise of Options
31/01/2011	Quarterly Report December 2010
27/01/2011	Notice of Initial Substantial Holder
25/01/2011	Notice of Initial Substantial Holder
25/01/2011	Notice of Change of Interests of Substantial Holder for ERO
25/01/2011	Notice of Initial Substantial Holder x5
25/01/2011	Appendix 3Y
25/01/2011	Appendix 3X x3
25/01/2011	Appendix 3Z x2
25/01/2011	Appendix 3B
24/01/2011	New Drilling Program and Board Changes
24/01/2011	Results of General Meeting
24/12/2010	Notice of General Meeting and Proxy Form
24/12/2010	Dealing in Securities Policy
23/12/2010	ERO appoints Acting CEO
12/12/2010	Change in Substantial Holding from MXR
09/12/2010	Appendix 3B
09/12/2010	Notice under section 708A of the Corporations Act
30/11/2010	AGM Presentation
30/11/2010	Chairman's Address
30/11/2010	Results of AGM 30/11/10
30/11/2010	Operations Update
23/11/2010	Share Placement
22/11/2010	Trading Halt
15/11/2010	Grant of Lithium Exploration Licences
05/11/2010	Updated Broker Presentation
29/10/2010	Notice of AGM & Proxy Form

Market prices of Shares

The lowest and highest market sale prices of Shares on ASX during the 3 months immediately before the date of this prospectus, and the respective dates of those sales were:

- \$0.025 on 21 April 2011
- \$0.036 on 11 May 2011

The last sale price for Shares on ASX before the date of this prospectus was \$0.028 on 21 June 2011.

Effect of the Rights Issue on us

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

- increase cash reserves by approximately \$1.88 million (before expenses of the Rights Issue are taken into account) to enable the Company to pursue its objectives;
- increase the number of issued Shares by approximately 69.7 million to approximately 417.9 million 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.

Statement of Financial Position

Set out below is a Pro Forma Consolidated Statement of Financial Position taking into account the Rights Issue. It is based on financial statements for the half year ended 31 December 2010. The Pro Forma Consolidated Statement of Financial Position illustrates the effect of the Rights Issue as if the Rights Issue had occurred on 31 December 2010, fully subscribed.

	31 December 2011	Changes	Pro Forma 31 December 2011
	\$	\$	\$
Current Assets			
Cash and cash equivalents	290,188	2,425,299*	2,715,487
Trade and other receivables	188,263	-	188,263
Inventories	1,567	-	1,567
Available-for-sale assets	1,600,000	-	1,600,000
Total current assets	2,080,018	2,425,299	4,505,317
Non-current Assets			
Investments accounted for using the equity method	1	-	1
Property, plant and equipment	757,652	-	757,652
Exploration and evaluation	2,729,222	-	2,729,222
Mine properties	-	-	-
Other non-current assets	17,750	-	17,750
Total non-current assets	3,504,625	-	3,504,625
Total Assets	5,584,643	2,425,299	8,009,942
Current liabilities			
Trade and other payables	205,140	-	205,140
Provisions	28,050	-	28,050
Total current liabilities	233,190	-	233,190
Non-current liabilities			
Provisions	19,434	-	19,434
Total non-current liabilities	19,434	-	19,434
Total Liabilities	252,624	-	252,624
Net Assets	5,332,019	2,425,299	7,757,318
Equity			
Contributed equity	26,019,299	2,425,299*	28,444,598
Reserves	882,007	-	882,007
Retained earnings/(losses)	(21,569,287)	-	(21,569,287)
Total equity	5,332,019	2,425,299	7,757,318

* On 15 April 2011, 18,176,632 ordinary shares were issued under a Share Purchase Plan, raising \$545,299.

Part 4 – Summary of 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.

General market conditions

The price of Shares on ASX may rise or fall due to numerous factors including the following.

- General economic conditions, including inflation rates 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 consumables, spare parts, plant and equipment.
- Prevention or restriction of access by reason 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 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.

Part 5 – Additional Information

Interests in securities

Our directors have relevant interests in the following securities in us.

Director	Shares	Options
R M Kennedy	26,256,005	36,014,002
S R Gale	18,666,081	31,516,521
N F Alley	20,208,338	19,902,086
H M Gordon	20,883,333	31,220,834
M I Hatcher	-	2,000,000
I R Witton	146,666	-

Holders of Shares in which our directors have relevant interests will receive an entitlement to New Shares under this prospectus.

Director fees

We have paid or agreed to pay the following fees to our directors.

Director	Remuneration (inclusive of superannuation) (2009 – 2010 Financial Year)	Remuneration (inclusive of superannuation) (2010 – 2011 Financial Year)
R M Kennedy	\$60,067	\$90,100
S R Gale	\$0	\$180,000
N F Alley	\$0	\$50,000
H M Gordon	\$0	\$50,000
M I Hatcher	\$0	\$0
I R Witton	\$0	\$5,000

Expenses of the Issue

The total expenses connected with this Rights Issue, including legal and other advisory fees, listing, printing and other miscellaneous expenses are estimated to be approximately \$30,000.

Taxation

The potential tax effects relating to the Rights Issue will vary between shareholders. You should satisfy yourself of possible tax consequences by consulting your own professional tax advisers.

Privacy

We collect, hold and use our shareholders' personal information in order to: service their needs as shareholders; provide facilities and services that they request or that are

connected with their interests in securities in us; and to carry out appropriate administration.

We may also use or disclose the information to: people inspecting our register of members; bidders for our securities; regulatory bodies; authorised brokers; print service providers; and mail houses.

Under the *Privacy Act 1988* (Cth), you may request access to your personal information held by us or on our behalf. You can request access to your personal information by telephoning or writing to us.

Glossary

In this prospectus, the following words have the meanings set out below, unless the context otherwise requires.

- ASIC means the Australian Securities and Investments Commission.
- ASX means ASX Limited ABN 98 008 624 691.
- Closing Date means the closing date of the Rights Issue listed in the “Summary of Important Dates” section of this prospectus.
- Eligible Shareholder means a holder of Shares at 5pm Adelaide time on the Record Date having an address on our register in Australia or New Zealand.
- Listing Rules means the Listing Rules of ASX Limited ABN 98 008 624 691.
- New Shares means Shares in the Company issued pursuant to the Rights Issue.
- Opening Date means the opening date of the Rights Issue listed in the “Summary of Important Dates” section of this prospectus.
- 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 Issue means the non-renounceable rights issue the subject of this prospectus.
- Shares means fully paid ordinary shares in our capital.

Words used in this prospectus that are defined in the Corporations Act 2001 have the meanings given in that Act.

Consent

Each of our directors has consented to the lodgment and issue of this prospectus.

Signed under section 351 of the Corporations Act 2001:

.....Shane R Gale, Director

Corporate directory

ERO Mining Ltd

ABN 40 119 031 864

Registered office:

62 Beulah Road

NORWOOD SA 5067

Directors:

R M Kennedy (Chairman)

S R Gale (Chief Executive Officer)

H M Gordon (non-executive director)

N F Alley (non-executive director)

M I Hatcher (alternate director)

I R Witton (alternate director)

Secretary:

D W Godfrey