ERO MINING LIMITED

Consolidated Entity

ABN 40 119 031 864

Financial Report

For the year ended 30 June 2013

Contents

Director's report	1
Auditor's Independence Declaration	10
Corporate Governance Statement	11
Financial Statements	
Consolidated statement of profit or loss and comprehensive income	17
Consolidated statement of financial position	18
Consolidated statement of changes in equity	19
Consolidated statement of cash flows	20
Notes to the consolidated financial statements	21
Directors' declaration	41
Independent auditor's report to the members	42

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of ERO Mining Limited (referred to hereafter as the Parent Entity or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors
The following persons were directors of the Parent Entity during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert Michael Kennedy (Non-executive chairman)
Joseph Fred Houldsworth (Managing Director appointed 14 May 2013)
Ewan John Vickery (Non-executive director appointed 14 May 2013)
Ian Roy Witton (Alternate director for R M Kennedy since 26 August 2010)
Hector Mackenzie Gordon (Non-executive director resigned 14 May 2013)
Michael Ivor Hatcher (Non-executive director resigned 14 May 2013)

Principal activities
The principle activities of the Group during the financial year were natural resources exploration and development.

Dividends - ERO Mining Limited
There were no dividends declared or paid during the year (2012: Nil).

Operating results and financial position
The net result of operations for the financial year was a loss of $7,631,361 before tax (2012: $882,755). Due to some of the results received over the financial year and the surrender of various tenements, the Board has decided to impair the full carrying value of a number of its South Australian assets. The loss incurred this year also reflects the loss on disposal Billa Kalina to Maximus Resources Limited.

The net assets of the Group have decreased by $7,564,332 during the financial year from $8,161,783 at 30 June 2012 to $597,461 at 30 June 2013.

Earnings per share has increased from ($0.220) cents to ($1.213) cents. The increase is attributable to the loss incurred this year.

Significant change of affairs

Apart from the changes stated in the Review of Operations below, there has been no other significant change of affairs of the Group.

Review of operations

The 2013 financial year has been a year of transformation for your company, with challenging conditions and difficulties extracting value from our assets triggering the company to seek a new strategic direction focused on maintaining only our core assets and seeking new opportunities for growth. Accordingly, during the latter half of the financial year, the Company embarked on a process of reviewing its existing asset base and evaluating new exploration and development opportunities.

As a result of the change in the strategic direction, the Company experienced various changes to its Board including the resignation of Mr Kevin Lines from the position as Chief Executive Officer. Mr Lines was replaced by Mr Joe Houldsworth who took up the position of Managing Director. Mr Houldsworth has over 40 years' experience in the minerals and gold industry and was the discoverer of the high grade Wattle Dam gold deposit near Coolgardie, Western Australia. The Company also saw the retirements of non-executive Directors, Mr Hector Gordon and Mr Michael Hatcher, who were replaced by Mr Ewan Vickery.

The Company's major efforts during the financial year were directed towards undertaking a ground gravity survey over the Peeweena Dam target at the Billa Kalina Project which was designed to validate a significant 10mgal gravity anomaly (first identified by a wide spaced 7km x 7km region survey completed in the 1970's). The Billa Kalina Project was being explored under the terms of a joint venture between the Company and Maximus Resources Ltd (ASX: MXR) where the Company was earning a 50% interest in the tenements (ELs 4854, 4463 & 4899) by expenditure of $3 million over the life of the agreement.

Following the granting of a 'Deed of Access – Exploration' by the Defence Department over EL 4854, part of the Billa Kalina Project, the Company engaged Atlas Geophysics to undertake the ground gravity survey over the tenement. Subsequent processing of the data from the new survey indicated that no significant gravity anomaly was present at Peeweena Dam and the data point in an earlier survey was erroneous. Following these results, the Company has recently made the decision to terminate the Joint Venture Agreement with Maximus Resources who retains a 100% interest in the project.

In the first half of the financial year, the Company entered into a non-binding term sheet with Monax Alliance Pty Ltd over the Northern Gawler IOCGU project near Marla in South Australia. Following the completion of a detailed ground gravity survey over the Wellbourn Hill portion of the project area and a review of the data, Monax Alliance concluded that the

results failed to meet their requirements and formally notified the Company that they would not be undertaking further exploration. The Board has recently decided to surrender the Northern Gawler Craton Project tenements in accordance with its change in strategic direction.

Over the course of the financial year, the Company sought a joint venture partner for the Padthaway Area Project to help advance exploration of its extensive tenement holding. The Company held discussions with a number of third parties, however, these discussions did not result in the Company establishing a formal joint venture over the tenement package. As a result and in line with the Company's change in strategic direction, the Board has recently made the decision to surrender the Padthaway tenements.

The Company has also been in discussions with a third party interested in establishing a joint venture over the Wertaloona lithium project within the Lake Frome basin of central-eastern South Australia. The third party continued its detailed review of the data for the project over the financial year with the intention to enter into joint venture discussions. Subsequent to the end of the financial year, the third party advised that it would not be submitting a proposal for the project citing, amongst other things, difficult economic conditions as its reason for not moving ahead with the project.

The Company was due to meet with Traditional Owners over the project areas within the Company's Tanami portfolio on 22 May 2013, however, due to changes to management over that period, the Company was unable to attend that meeting. The Company is currently working with the Traditional Owners to organise a new date for this meeting. The Tanami Region, located 600km Northwest of Alice Springs in the NT, has become Australia's premier Proterozoic Gold Province. Access to the Highland Rocks project will allow the Company to commence work over one of the few remaining areas of the Tanami province which has seen no effective modern gold exploration. In expectation of gaining access to the Highland Rocks project, the Company has made an application for two additional areas that are contiguous with the current tenement holding. These additional areas consolidate the Company's tenure in this highly prospective region.

The Company has looked to source a joint venture partner at the Suplejack project. The project area is the first in the Tanami where Traditional Owners have allowed exploration for both uranium and gold. This area of the Tanami has been identified by AGSO, the predecessor to Geoscience Australia, as having very similar geological characteristics as the uranium rich South Alligator Rivers area of the Northern Territory.

Future developments, prospects and business strategy

The Group's strategy is to explore for gold across its portfolio of projects in Western Australia and the Northern Territory.

The Board of ERO Mining Limited considers that, in the current environment of constrained capital, the best interests of shareholders in the Company will be served by seeking a balanced approach of direct exploration by ERO and joint venture/alliances with other parties.

The primary focus of exploration will be directed at Gold mineralization at Spargoville and Valley Floor Projects in the Eastern Goldfields of WA with a secondary focus on gold/uranium in the Tanami region of the Northern Territory
The Company is confident that the prudent application of exploration funds across this balanced geographic/commodity profile has an excellent chance of delivering discovery success.

Matters subsequent to the end of the financial year

Subsequent to the end of the 2013 financial year, the Company identified two gold projects at the conclusion of its process of evaluation of new opportunities which were in line with its new growth strategy. The Company announced on 1 July 2013 that it agreed the terms of a conditional sale and purchase agreement with Ramelius Resources Ltd (ASX: RMS) to acquire the Spargoville Project in Western Australia for scrip. The consideration to be paid for the project will be the issue of 133,333,334 shares to Ramelius to the value of A$400,000. The Spargoville Project represents an advanced exploration project which hosted the previously mined, high grade Wattle Dam deposit and 36 prospective adjoining tenements. The acquisition is subject to shareholder approval.

Shortly following the announcement of the acquisition of the Spargoville Project, the Company announced that it had agreed terms for a conditional share sale agreement to acquire Valley Floor Resources Pty Ltd for scrip. Valley Floor Resources is the holder of Exploration Licence E15/1249 in Western Australia containing the Valley Floor Prospect. A drilling program is planned for the second quarter of 2013 to test in interpreted structures for gold mineralisation. The consideration to be paid will be the issue of 50,000,000 shares to be apportioned amongst the vendors of Valley Floor Resources to the value of A$150,000.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Environmental regulation

The Group's operations are subject to significant environmental regulation under both Commonwealth and relevant State legislation in relation to discharge of hazardous waste and materials arising from any exploration or mining activities and development conducted by the Group on any of its tenements. The Group considers it is not in breach of any environmental obligation.

Information on directors

ROBERT MICHAEL KENNEDY *ASAIT, Grad. Dip (Systems Analysis), FCA, ACIS, Life member AIM, FAICD*
Independent Non-Executive Chairman

Experience and expertise
Mr Kennedy has been non-executive chairman of ERO Mining Limited since 2006.

He is a Chartered Accountant and a consultant to Kennedy & Co, Chartered Accountants, a firm he founded.

Mr Kennedy brings to the Board his expertise and extensive experience as chairman and non-executive director of a range of listed public companies in the resources sector.

He conducts the review of the Board including the Managing Director in his executive role. Mr Kennedy leads the development of strategies for the development and future growth of the Company. Apart from his attendance at Board and Committee meetings, Mr Kennedy leads the Board's external engagement of the Company meeting with Government, investors and is engaged with the media. He is a regular attendee of Audit Committee functions of the major accounting firms and is a regular presenter on topics relating to directors with the AICD and the CSA.

Independence
In assessing Mr Kennedy's independence, the Board (excluding Mr Kennedy), took into account his stamina, his ability to think independently across a wide range of issues and his relentless availability. Whilst Mr Kennedy has been appointed to a number of Resource Industry Boards, due to his extensive knowledge of the industry, the time required across these companies in no way impedes on his dedication to his role as Chairman of the Board. In taking all of these issues into account, the Board (excluding Mr Kennedy), were unanimous in declaring Mr Kennedy as independent.

Current and former directorships in the last 3 years
Mr Kennedy is a director of ASX listed companies, Ramelius Resources Limited (since listing in March 2003), Flinders Mines Limited since December 2001 , Maximus Resources Limited (since 2004), Monax Mining Limited (since 2004), Marmota Energy Limited since listing in April 2006 and formerly Beach Energy Limited (from 1991 to 2012) and Somerton Energy Limited (from 2010 to 2012). He was appointed the Chairman of the University of Adelaide's Institute of Minerals and Energy Resources in 2008.

Responsibilities
His special responsibilities include membership of the Audit Committee.

Interests in shares, options and rights
64,487,212 ordinary shares in the Company.

JOSEPH FRED HOULDSWORTH *Appointed Managing Director*

Experience and expertise
Mr. Houldsworth joined ERO Mining Limited as Managing Director in May 2013. He has over 30 years' experience in the resources industry at both operational and management levels primarily in the Western Australian Goldfields. He is the former Managing Director of Ramelius Resources Limited and was instrumental in turning the Company into a highly profitable gold miner. He is a former consultant for 10 years to insolvency specialists on both mining and exploration and has considerable experience in asset management for various mining entities.

Other current directorships
Mr Houldsworth is a director of private companies Lone Hand & Associates Pty Ltd and Valley Floor Resources Pty Ltd.

Interests in shares and options
1,000,000 ordinary shares in ERO Mining Limited.
20,000,000 retention rights over ordinary shares in ERO Mining Limited.

EWAN JOHN VICKERY LL.B. *Non-executive Director*

Experience and expertise
A director since May 2013, Mr Vickery is a corporate business lawyer with more than 30 years' experience. He is a consultant to Minter Ellison and a director of Maximus Resources Limited (since 2004), Flinders Mines Limited (since 2001) and is a member of the Exploration Committee of the South Australian Chamber of Mines & Energy Inc, the International

Bar Association Energy & Resources Law Section, and the Australian Institute of Company Directors. Mr Vickery is a past national president and Life Member of the Australian Mine & Petroleum Law Association. He was previously a non-executive director of ERO Mining Limited from 2006 to 2011.

Special responsibilities

Chairman of the Audit Committee

Interests in shares and options

2,000,000 ordinary shares in ERO Mining Limited

HECTOR MACKENZIE GORDON BSc (Hons), FAICD. *Non-executive Director.*

Experience and expertise
A director from 24 January 2011 until his resignation on 14 May 2013, Mr Gordon is a geologist with more than 30 years of experience in the resources industry. He is a fellow of the Australian Institute of Company Directors and a member of the American Association of Petroleum Geologists and the Society of Petroleum Engineers.

Current and former directorships in last 3 years
Mr Gordon was the Managing Director of Somerton Energy Limited, which was an ASX listed company until its recent removal from the ASX Official List in June 2012, following a takeover by Cooper Energy Limited. He is also an executive director of ASX listed company Cooper Energy Limited. He was formally a director of Beach Energy Limited. Further details of his current and former directorships in the last 3 years are as follows:

Company	***Period of directorship***
Cooper Energy Limited	Since 26 June 2012
Beach Energy Limited	Appointed 2005 Resigned 1 November 2010
Somerton Energy Limited	Appointed 22 April 2010

Special responsibilities
Chairman of the Audit Committee.

Interests in shares and options
23,023,047 ordinary shares in ERO Mining Limited.

MICHAEL IVOR HATCHER BSc (Hons), MAusIMM. *Non-executive Director.*

Experience and expertise
A director from 28 June 2011 until his resignation on 14 May 2013, Mr Hatcher has a geology degree from the University of Adelaide and over 40 years' experience in the resources industry during which time he has held a range of senior technical and managerial positions.

Mr Hatcher's career included 16 years with the Newmont/Normandy/North Flinders Mines corporate group. During this period he held positions including Director Geology-Ghana, and was chief operations geologist for Normandy/Newmont's many Australian mines, including Golden Grove, Tanami, Jundee and Pajingo, as well as its New Zealand (Waihi), Turkey (Ovacik) and USA (Midas) operations.

Mr Hatcher's exploration roles include Exploration Manager for Greenbushes Mines and its subsidiary Lithium Australia; Exploration Manager and Director of Driffield Mining, a consortium of private exploration companies active in the Northern Territory. Mr Hatcher has extensive experience in near mine exploration programmes conducted at the many operations with which he has been involved.

Mr Hatcher is a member of the Australian Institute of Mining and Metallurgy

Current and former directorships in last 3 years
Mr Hatcher is a non-executive director of ASX-listed Outback Metals Limited (since November 2010) and Adelaide Resources Limited (since 29 July 2011).

Interests in shares and options
1,000,000 ordinary shares in ERO Mining Limited.

KEVIN JAMES LINES BSc (Geology), MAusIMM. *Resigned Chief Executive Officer.*

Experience and expertise
Mr Lines was chief executive officer from 1 September 2011 until his resignation on 13 March 2013. In addition, Mr Lines was a director from incorporation on 29 March 2006 until his resignation, for health reasons on 24 January 2011. Mr Lines has over 30 years' experience in mineral exploration and mining for gold, copper, lead/zinc and tin. He has held senior geological and management positions within Newmont Australia Limited, Normandy Mining Limited and CRA group of companies. He was the foundation Chief Geologist at Kalgoorlie Consolidated Gold Mines where he led the team that developed the ore-body models and geological systems for the Super-Pit Operations in Kalgoorlie. He has managed the Eastern Australian Exploration Division of Newmont Australia that included responsibility for the expansive tenement holdings of the Tanami region.

Mr Lines has extensive experience in the assessment and evaluation of exploration projects, development properties and mining operations globally. During the last decade he has completed assignments in China, South America, North America, West Africa, Indonesia and multiple regions of the former Soviet Union. Most recently he has acted as Consulting Geologist-Newmont Australia with responsibility for the Western Pacific Region. He is a member of the Australasian Institute of Mining and Metallurgy.

Other current directorships
Mr Lines is a non-executive director of Ramelius Resources Limited (since 2008).

Interests in shares and options
17,235,001 ordinary shares in ERO Mining Limited.

Company Secretary
Justin Paul Nelson LL.B, B.A(Jur)
Experience and expertise
Mr Nelson was appointed Company Secretary on 1 August 2012. He is Special Council with DMAW Lawyers. He is a former South Australian State Manager of ASX and is experienced in the listed company environment. He has excellent knowledge of the ASX Listing Rules, governance and all other aspects of ASX related matters.

Company Secretary
Peter John Kupniewski LL.B/LP.
Experience and expertise
Mr Kupniewski was appointed Company Secretary on 30 June 2011 and resigned from this position 1 August 2012. He is a partner with DMAW Lawyers. He is experienced in advising listed companies in relation to compliance with the Corporations Act and ASX Listing Rules, the acquisition and disposal of assets and the resolution of disputes. He has also acted in IPOs, placements, rights issues, capital reductions and reconstructions, share plans, option issues and all aspects of corporate law.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

	Full meetings of directors		Audit committee meetings	
	A	B	A	B
Robert Michael Kennedy	10	10	2	2
Hector Mackenzie Gordon	8	8	2	2
Michael Ivor Hatcher	7	8	-	-
Joseph Fred Houldsworth	3	3	-	-
Ewan John Vickery	3	3	-	-
Ian Roy Witton	1	10	-	-

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year

Indemnification and insurance of officers

The Group is required to indemnify the directors and other officers of the Company and its Australian-based controlled entities against any liabilities incurred by the directors and officers that may arise from their position as directors and

officers of the Group. No costs were incurred during the year pursuant to this indemnity.

The companies within the Group have entered into deeds of indemnity with each director whereby, to the extent permitted by the *Corporations Act 2001*, the Group agreed to indemnify each director against all loss and liability incurred as an officer of the relevant company, including all liability in defending any relevant proceedings.

Insurance premiums

Since the end of the previous year the Group has paid insurance premiums of $20,601 to insure the directors and officers in respect of directors' and officers' liability and legal expenses insurance contracts.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001.*

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services paid or payable to the external auditors of the Parent Entity, its related practices or non-related audit firms during the year ended 30 June 2013.

Remuneration report - audited

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

A Principles used to determine the nature and amount of remuneration

The Group's policy for determining the nature and amounts of emoluments of board members and senior executive officers of the Group is as follows:

The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors has been set at $300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors. The remuneration of the Managing Director is determined by the non-executive directors on the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of other executive officers and employees is determined by the Managing Director subject to the approval of the Board.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. Non-executive directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through

the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a recently listed mineral exploration entity and the current status of its activities. However the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options for ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company.

The employment conditions of the Managing Director, Mr Houldsworth were formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Chief Executive Officers contract may be terminated at any time on three months' notice by either party. The Company may terminate these contracts without notice in serious instances of misconduct.

The employment conditions of the former Chief Executive Officer, Mr Lines were formalised in a contract of employment. The base salary as set out in the employment contract is reviewed annually. The Chief Executive Officers contract may be terminated at any time on one month's notice by either party. The Company may terminate these contracts without notice in serious instances of misconduct.

Voting and comments made at the company's 2012 Annual General Meeting

ERO Mining Limited remuneration report for the 2012 financial year was approved at the Annual General Meeting held on 6 November 2012. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B Details of remuneration

This report details the nature and amount of remuneration for each key management person of the Company

The names and positions held by directors and key management personnel of the Company during the financial year are:

- Mr R M Kennedy - Chairman, non-executive
- Mr J F Houldsworth – Managing Director (since 14 May 2013)
- Mr E J Vickery – Director, non-executive (since 14 May 2013)
- Mr I R Witton - Alternate director for R M Kennedy (since 26 August 2010) and E J Vickery (since 26 June 2013).
- Mr H M Gordon - Director, non-executive (resigned 13 May 2013)
- Mr M I Hatcher - Director, non-executive (resigned 13 May 2013)
- Mr K J Lines – Chief Executive Officer (resigned 13 March 2013)

Key management personnel of the Group and other executives of the Company and the Group

2013	Short-term employee benefits	Post-employment benefits	Share-based payments	
Name	Salary $	Super-annuation $	Rights $	Total $
Non-executive directors				
Robert Michael Kennedy*	61,995	5,580	-	67,575
Joseph Houldsworth	28,670	2,580	50,000	81,250
Ewan Vickery*	-	-	-	-
Hector Mackenzie Gordon	37,500	3,375	-	40,875
Michael Ivor Hatcher	37,500	3,375	-	40,875
Ian Roy Witton	-	-	-	-
Chief Executive Officer				
Kevin James Lines	180,363	15,858	-	196,221
Total key management personnel compensation (Group)	**346,028**	**30,768**	**50,000**	**426,796**

** Mr Kennedy has voluntarily agreed to forgo entitlement to directors' fees from 27 March 2013 to 30 June 2013 and Mr Vickery has voluntarily agreed to forgo entitlement to directors' fees from 14 May 2013 to 30 June 2013.*

The directors conclude that there are no executives requiring disclosure other than those listed.

Key management personnel of the Group and other executives of the Company and the Group

2012	Short-term employee benefits	Post-employment benefits	Share-based payments	
Name	Salary $	Super-annuation $	Options $	Total $
Non-executive directors			-	
Robert Michael Kennedy*	13,777	1,240	-	15,017
Shane Robin Gale	-	-	-	-
Hector Mackenzie Gordon*	8,333	750	-	9,083
Michael Ivor Hatcher*	8,333	750	-	9,083
Ian Roy Witton	-	-	-	-
Chief Executive Officer				
Kevin James Lines**	119,049	3,784	61,724	184,557
Total key management personnel compensation (Group)	**149,492**	**6,524**	**61,724**	**217,741**

** The non-executive directors have voluntarily agreed to forgo entitlement to directors' fees from 1 July 2011 until 30 April 2012.*

*** Includes $77,000 paid to Bridge Water Consulting, a related party.*

The directors conclude that there are no executives requiring disclosure other than those listed.

C Service agreements

During the 2012 financial year, Mr Shane Gale resigned as Managing Director and was replaced by Mr Lines in the role of Chief Executive Officer. The Board negotiated a contract with Mr Lines with no fixed term at a salary of $275,000 per annum inclusive of superannuation guarantee contributions to be reviewed annually and with termination on one month's notice.

During the financial year, Mr Lines resigned as Chief Executive Officer and was replaced by Mr Houldsworth in the role of Managing Director. The Board negotiated a contract with Mr Houldsworth with no fixed term at a salary of $250,000 per annum inclusive of superannuation guarantee contributions to be reviewed annually and with termination on three month's notice.

D Share-based compensation

Employee Share Option Plan

Shares issued on exercise of remuneration options

The Company has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to acquire ordinary fully paid shares in the Company. Under the terms of the Plan, options to acquire ordinary fully paid shares may be offered to the Company's eligible employees at no cost unless otherwise determined by the Board in accordance with the terms and conditions of the Plan. During the year, employee share options were not issued.

Options granted as remuneration

Apart from the options granted under the Company's Employee Share Option Plan as detailed above, no other options were granted to directors or key management personnel of the Company during the financial year.

Shares issued on exercise of remuneration options

No shares were issued to directors as a result of the exercise of remuneration options during the financial year.

Retention rights granted as remuneration

Mr Houldsworth was granted 20,000,000 retention rights upon appointment. 50% of the rights vest on the first anniversary and 50% vest on the second anniversary of employment. Upon vesting, Mr Houldsworth will be issued with 1 fully paid ordinary share in ERO for each right for no consideration.

Directors' interests in shares and options

Directors' relevant interests in shares and options of the Company are disclosed in note 6 of the financial statements.

Shares under option

Unissued ordinary shares of ERO Mining Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise price	Number under option
4 February 2009	3 February 2014	$0.028	441,666
			441,666

Date retention rights granted	Expiry date	Exercise price	Number under option
14 May 2013	14 May 2014	$0.000	10,000,000
14 May 2013	14 May 2015	$0.000	10,000,000
			20,000,000

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

This report is signed and dated in Adelaide on this 15th day of July 2013 and made in accordance with a resolution of the directors.

Joseph Houldsworth

Director

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ERO MINING LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ero Mining Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner - Audit & Assurance

Adelaide, 15 July 2013

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

The Board of Directors is committed to improving and achieving good standards of corporate governance and has established corporate government policies and procedures, where appropriate and practicable, consistent with the revised Corporate Governance Principles and Recommendations - 2nd Edition issued by the ASX Corporate Governance Council ("ASX Recommendations").

The following statement sets out a summary of the Company's corporate governance practices that were in place during the financial year and how those practices relate to the revised ASX Recommendations. .

These recommendations are not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an effective, quality and integrity outcome. The Corporate Governance Council has recognised that a "one size fits all" approach to corporate governance is not required. Instead, it states aspirations of good practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is inappropriate to its particular circumstances and has flexibility not to adopt it and explain why.

In ensuring a good standard of ethical behaviour and accountability, the Board has included in its corporate governance policies those matters contained in the ASX Recommendations where applicable. However, the Board also recognises that full adoption of the ASX Recommendations may not be practical nor provide the optimal result given the particular circumstances and structure of theCompany. The Board is, nevertheless, committed to ensuring that appropriate corporate governance practices are in place for the proper direction and management of theCompany. This statement outlines the main corporate governance practices of the Companydisclosed under the ASX Recommendations, including those that comply with good practice and which unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2013.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 - Recommendation followed
The Board is governed by the *Corporations Act 2001*, ASX Listing Rules and a formal constitution adopted by the company in 2006 and as amended in November 2011.

The role of the Board is to provide leadership and direction to management and to agree with management the aims, strategies and policies of the Company for the protection and enhancement of long-term shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal control, risk management and financial reporting.

The Board has an established framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards. In fulfilling its responsibilities, the Board is supported by an Audit Committee to deal with internal control, ethical standards and financial reporting.

The Board appoints a Managing Director responsible for the day to day management of the Company including management of financial, physical and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

The board has not adopted a formal statement of matters reserved to them or a formal board charter that details their functions and responsibilities nor a formal statement of the areas of authority delegated to senior executives.

Recommendation 1.2 - Recommendation followed
The Board takes responsibility for monitoring the composition of the Board and reviewing the performance and compensation of the Company's Executive Directors and senior management with the overall objective of motivating and appropriately rewarding performance.

The board considers the Company's present circumstances and goals ensure maximum shareholder benefits from the attraction and retention of a high quality Board and senior management team. The Board on a regular basis reviews the performance of and remuneration for Executive Director's and senior management including any equity participation by such Executive Directors and senior management. The Board evaluates the performance of the Managing Director and Company Secretary on a regular basis and encourages continuing professional development.

Recommendation 1.3 - Recommendation followed
During the period the Board undertook an informal performance evaluation of the Managing Director, Company Secretary and senior management. The evaluation was in accordance with the Company's process for evaluation of senior executives.

Principle 2: Structure the board to add value

Recommendation 2.1 - Recommendation followed
The composition of the Board consists of three directors, two of whom including the chairman, are independent directors.

The Audit Committee currently consists of two independent directors.

Recommendation 2.2 - Recommendation followed
The Chairman is an independent director.

Recommendation 2.3 - Recommendation followed
The role of Chairman of the Board is separate from that of the Managing Director, who is responsible for the day to day management of the Company and is in compliance with the ASX Recommendation that these roles not be exercised by the same individual.

Recommendation 2.4 - Recommendation not followed
The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a nomination committee in line with ASX Recommendation 2.4 and establishing a formal charter as recommended by ASX Recommendation 2.4 cannot be justified by the perceived benefits of doing so. As such, the whole Board currently carries out this function. A formal charter may be adopted in the future, as the Company develops further.

Recommendation 2.5 - Recommendation not followed
The Board recognises that as a result of the Company's size and the stage of the entity's life as a publicly listed junior exploration company, the assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis. Whilst this is at variance with the ASX Recommendation 2.5, the directors consider that at the date of this report an appropriate and adequate process for the evaluation of the board is in place. A more formal process of Board assessment will be considered in the future as the Company develops.

Recommendation 2.6 - Recommendation followed
The names of the directors of the Company and terms in office at the date of this Statement together with their skills, experience, expertise and financial interests in the Company are set out in the Directors' Report section of this report.

The non-executive directors are considered to be independent.

The Company has no relationships with any of the independent directors which the company believes would compromise the independence of these directors.

All directors are entitled to take such legal advice as they require at any time and from time to time on any matter concerning or in relation to their rights, duties and obligations as directors in relation to the affairs of the Company at the expense of the Company.

The contribution that people can make because of their individual background and different skills, experiences and perspectives is recognized in determining the membership of the board.

The Company's constitution specifies the number of directors must be at least three and at most ten. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

As the board does not have a nominations Committee. The functions of this Committee in its absence are dealt with by the Board as a whole.

An assessment of the Board's overall performance and its own succession plan is conducted on an ad hoc basis and was done so during the year by the Chairman.

Principle 3: Promote ethical and responsible decision making

Recommendation 3.1 - Recommendation not followed
While the Company does not have a formal code of conduct, as the Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing and managing a formal code of conduct cannot be justified, the Company requires all its directors and employees to abide by good standards of behaviour, business ethics and in accordance with the law. In discharging their duties, Directors of the Company are required to:

- act in good faith and in the best interests of the Company;
- exercise care and diligence that a reasonable person in that role would exercise;
- exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- disclose material personal interests and avoid actual or potential conflicts of interest;
- keep themselves informed of relevant Company matters;
- keep confidential the business of all directors' meetings; and
- observe and support the Board's Corporate Governance practices and procedures

Directors are also required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the *Corporations Act 2001* and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with Section 195 of the *Corporations Act 2001*, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

Recommendation 3.2 – Recommendation partly followed

This recommendation is partly complied with. The Company has established a diversity policy and a summary of the policy is available on the Company's website. At this stage, however, given the size of the Company, the Board has not established measurable objectives for achieving gender diversity. The policy does not include requirements for the board to establish and annually assess measurable objectives and the progress towards achieving them.

Recommendation 3.3 – Recommendation not followed

As the Board has not established measurable objectives for achieving gender diversity and the progress towards achieving them, this recommendation is not complied with.

Recommendation 3.4 – Recommendation followed

The proportion of women employees in the organisation, women in senior executive positions and women on the board is as follows:

- Women employees – 1 of a total of 1
- Women in senior executive positions – 0 of a total of 0
- Women on the board – 0 of a total of 3

Recommendation 3.5 – Recommendation followed

The departure from the recommendations has been explained. A summary of the policy is available on the Company's website.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 - Recommendation followed
The Company was not a company required by ASX Listing Rule 12.7 to have an Audit Committee during the year although it is an ASX Recommendation. Notwithstanding the Listing Rule requirement, an Audit Committee has been established to oversee corporate governance over internal controls, ethical standards, financial reporting, and external accounting and compliance procedures.

The main responsibilities of the Audit and Corporate Governance Committee include;
- reviewing, assessing and making recommendations to the Board on the annual and half year financial reports
- overseeing establishment, maintenance and reviewing the effectiveness of the Company's internal control and Accounting Standards and ASX Listing Rules;
- liaising with and reviewing reports of the external auditor; and
- reviewing performance and independence of the external auditor and where necessary making recommendations for appointment and removal of the Company's auditor.

Recommendation 4.2 - Recommendation not followed
The Audit Committee consists of two non-executive directors, Messrs Vickery and Kennedy, and is chaired by Mr Vickery.

The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing an audit committee with at least three members in line with ASX Recommendation 4.2 cannot be justified by the perceived benefits of doing so. The existing composition of the Audit Committee is such that review and authorisation of the integrity of the Company's financial reporting and the independence of the external auditor is via the exercise of independent and informed judgement.

Recommendation 4.3 - Recommendation not followed
A formal Audit Committee Charter has not been adopted. The main responsibilities of the Audit Committee are set out in respect of the commentary on Recommendation 4.1. It is anticipated that a formal charter will be adopted in the future, as the Company develops further.

Recommendation 4.4 - Recommendation followed
Mr Kennedy is a qualified Chartered Accountant. Details of the Audit Committee member's qualifications and attendance at meetings are set out in the Directors' Report section of this report.

The Committee meets at least twice per annum and reports to the Board. The Managing Director, Company Secretary and external auditor may by invitation attend meetings at the discretion of the Committee.

Principles 5: Make timely and balanced disclosures

Recommendation 5.1 – Recommendations not followed
The Company has not adopted a continuous disclosure policy. The board believes that given the size of the Company, establishing a written policy is not required at this time. The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. The information is made available on the Company's website, following release to the ASX, www.eromining.com/governance.html.

Recommendation 5.2 – Recommendation followed

In accordance with Recommendation 5.1 the relevant material is included in the corporate governance statement.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1 & 6.2 - Recommendations not followed
The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs.

In accordance with the ASX Recommendations, information is communicated to shareholders as follows:
- the annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to the other disclosures
- the half yearly financial report lodged with ASX and Australian Securities and Investments Commission (ASIC);
- notifications relating to any proposed major changes in the Company which may impact on share ownership rights
- notices of all meetings of shareholders;
- publicly released documents including full text of notices of meetings and explanatory material
- disclosure of the Company's Corporate Governance practices and communications strategy on the entity's website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to section 249K of the *Corporations Act 2001* the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, the Board does not believe a formal policy for shareholder communication is required. However, a summary describing how the Company will communicate with its shareholders is posted on the Company's website, www.eromining.com/governance.html.

Principle 7: Recognise and manage risk

Recommendation 7.1, 7.2 - Recommendations not followed
The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration and mining, environmental, title and native title, legal and other operational risks. The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed. No formal report in relation to the Company's management of its material business risk is presented to the Board.

Due to the size of the Company and the stage of life of the entity as a publicly listed junior exploration company, and the inherent risks associated with the industry it operates in, the Board does not believe formal policies for oversight and management of risk is required nor a mechanism for formal review be established. A summary describing how the Company manages risk by procedures established at Board and executive level can be found posted on the Company's website, www.eromining.com/governance.html.

Recommendation 7.3 - Recommendation followed
In accordance with ASX Recommendation 7.3 the Managing Director has provided assurances that the written declarations under s295A of the *Corporations Act 2001* are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Managing Director has provided said assurances at the time the s295A declarations were provided to the Board.

Recommendation 7.4 – Recommendation followed

In accordance with Recommendation 7.4, the relevant material is included in the corporate governance statement.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 - Recommendation not followed
The Board believes that given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company that the cost of establishing a formal remuneration committee in line with ASX Recommendation 8.1 cannot be justified by the perceived benefits of doing so.

The Board takes responsibility for monitoring the composition of the Board and reviewing the compensation of the Company's executive directors and senior management with the overall objective of motivating and appropriately rewarding performance.

Recommendation 8.2 - Recommendation not followed
The Board does not have a separate remuneration committee given the size of the Company and the stage of the entity's life as a publicly listed junior exploration company.

Recommendation 8.3 - Recommendation followed
The Company's remuneration practices are set out as follows.

The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors has been set at $300,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

Non-executive director remuneration is by way of fees and statutory superannuation contributions. Non-executive directors do not participate in schemes designed for remuneration of executives nor do they receive options or bonus payments and are not provided with retirement benefits other than salary sacrifice and statutory superannuation.

The remuneration of the Managing Director is determined by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of employees is determined by the Managing Director subject to the approval of the Board.

The Company's remuneration structure is based on a number of factors including the particular experience and performance of the individual in meeting key objectives of the Company. The Board is responsible for assessing relevant employment market conditions and achieving the overall, long term objective of maximising shareholder benefits, through the retention of high quality personnel.

The Company does not presently emphasise payment for results through the provision of cash bonus schemes or other incentive payments based on key performance indicators of the Company given the nature of the Company's business as a mineral exploration entity and the current status of its activities. However, the Board may approve the payment of cash bonuses from time to time in order to reward individual executive performance in achieving key objectives as considered appropriate by the Board.

The Company also has an Employee Share Option Plan approved by shareholders that enables the Board to offer eligible employees options to ordinary fully paid shares in the Company. Under the terms of the Plan, options to ordinary fully paid shares may be offered to the Company's eligible employees at no cost in accordance with the terms and conditions of the Plan. The objective of the Plan is to align the interests of employees and shareholders by providing employees of the Company with the opportunity to participate in the equity of the Company as an incentive to achieve greater success and profitability for the Company and to maximise the long term performance of the Company. The non-executive directors are not eligible to participate in the Plan.

The employment conditions of the Managing Director are formalised in a contract of employment. The Managing Director's contract may be terminated by not less than three months' notice or without notice in serious instances of misconduct.

Further details of director's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

The Company's Corporate Governance Policies can be found at www.eromining.com/governance.html.

Recommendation 8.4 – Recommendation followed

In accordance with Recommendation 8.4, the relevant material is included in the corporate governance statement.

ERO MINING LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated Group	
		2013	2012
	Note	$	$
Continuing operations			
Revenue	3	105,060	32,370
Finance costs		(2,632)	(2,138)
Marketing expenses		(341)	(697)
Administration expenses		(589,224)	(500,023)
Exploration expenditure written off		(112,113)	-
Loss on disposal of controlled entity		-	(171,664)
Loss on disposal of assets		(2,567,358)	(77,437)
Impairment of exploration assets		(4,464,753)	(139,278)
Other expenses		-	(5,550)
Loss before income tax	4	(7,631,361)	(864,417)
Tax expense	5	-	(17,809)
Loss from continuing operations		(7,631,361)	(882,226)
Discontinued operations			
Loss from discontinued operations after tax	28	-	(529)
Net loss for the period		-	(529)
Other comprehensive income:			
Loss from discontinued operations after tax		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(7,631,361)	(882,755)
Net loss attributable to:			
Members of the parent entity		(7,631,361)	(882,755)
		(7,631,361)	(882,755)
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share (cents)	8	(1.213)	(0.220)
Diluted earnings per share (cents)	8	(1.213)	(0.220)
From continuing operations:			
Basic earnings per share (cents)	8	(1.213)	(0.178)
Diluted earnings per share (cents)	8	(1.213)	(0.178)

The above consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.

ERO MINING LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated Group 2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	404,420	1,224,895
Trade and other receivables	10	11,082	16,665
Other assets	15	9,022	7,972
TOTAL CURRENT ASSETS		424,524	1,249,532
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,291	2,500
Exploration and evaluation	14	227,870	7,028,896
TOTAL NON-CURRENT ASSETS		231,161	7,031,396
TOTAL ASSETS		655,685	8,280,928
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	54,086	115,662
Provisions	17	4,137	3,483
TOTAL CURRENT LIABILITIES		58,223	119,145
TOTAL LIABILITIES		58,223	119,145
NET ASSETS		597,462	8,161,783
EQUITY			
Issued capital	18	32,344,411	32,327,371
Reserves	27	1,033,478	983,478
Retained earnings		(32,780,427)	(25,149,066)
TOTAL EQUITY		597,462	8,161,783

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

ERO MINING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Contributed Equity	Retained Losses	Reserves	Total
	$	$	$	$
Consolidated Group				
Balance at 1 July 2011	30,688,343	(24,266,311)	983,478	7,405,510
Comprehensive income				
Loss for the year	-	(882,755)	-	(882,755)
Total comprehensive income for the year	-	(882,755)	-	(882,755)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	1,680,583	-	-	1,680,583
Transaction costs	(41,555)	-	-	(41,555)
Total transactions with owners and other transfers	1,639,028	-	-	1,639,028
Balance at 30 June 2012	32,327,371	(25,149,066)	983,478	8,161,783
Balance at 1 July 2012	32,327,371	(25,149,066)	983,478	8,161,783
Comprehensive income				
Loss for the year	-	(7,631,361)	-	(7,631,361)
Total comprehensive income for the year	-	(7,631,361)	-	(7,631,361)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the year	17,040	-	-	17,040
Retention rights issued during the year	-	-	50,000	50,000
Total transactions with owners and other transfers	17,040	-	50,000	67,040
Balance at 30 June 2013	32,344,411	(32,780,427)	1,033,478	597,462

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

ERO MINING LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		73,339	732
Interest received		31,924	12,370
Payments to suppliers and employees		(565,694)	(484,045)
Net cash used in operating activities	22a	(460,431)	(470,943)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	99,254
Proceeds from disposal of subsidiary		-	200,000
Proceeds from the disposal of exploration assets		27,500	-
Purchase of property, plant and equipment		-	(2,324)
Payments for exploration assets		(371,748)	(312,558)
Net cash provided by/(used in) investing activities		(344,248)	(15,628)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	1,635,899
Share issue transaction costs		(15,796)	(43,568)
Net cash (used in)/provided by financing activities		(15,796)	1,592,331
Net (decrease)/increase in cash held		(820,475)	1,105,760
Cash and cash equivalents at beginning of financial year		1,224,895	119,135
Cash and cash equivalents at end of financial year	9	404,420	1,224,895

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

These consolidated financial statements and notes represent those of ERO Mining Limited and Controlled Entities (the "consolidated group" or "group"). The separate financial statements of the parent entity, ERO Mining Limited have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 15 July 2013 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars and all values are roiunded to the nearest dollar ($) unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by ERO Mining Limited at the end of the reporting period. A controlled entity is any entity over which ERO Mining Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 12 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method and are carried at cost in the Company's financial statements. Under the equity method, the share of the profits or losses are recognised in the Consolidated Statement of Proit or Loss and Comprehensive Income, and the share of movements in reserves is recognised in reserves in the Consolidated Statement of Financial Position.

(b) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

ERO Mining Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, ERO Mining Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, ERO Mining Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets vary from 20 to 40%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the consolidated statement of financial position where the rights of tenure of an area are current and where one of the following conditions is met:

• the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

• exploration and/or evaluation activities in the area of interest have not at the end of each reporting period reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the asset relates.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 3: Business Combinations.

Exploration and evaluation expenditure incurred subsequent to the acquisition in respect of an exploration asset acquired is accounted for in accordance with the policy outlined above.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

(e) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Interests in Joint Ventures

The Group's share of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 11.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

(g) Employee Benefits

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for annual leave. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in non-current liabilities - provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Share-based payments

Share-based compensation benefits are provided to employees via the ERO Mining Limited Employee Share Option Plan and can also be provided via Employment Agreements. Information relating to this scheme is set out in Note 23.

The fair value of options at grant date is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of four months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the consolidated statement of financial position.

(i) Revenue and Other Income

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from royalty agreements is recognised when the right to receive a royalty has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST) where applicable.

(j) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(e) for further discussion on the determination of impairment losses.

(k) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(n) Contributed equity

Ordinary shares as classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of ERO Mining Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of ERO Mining Limited.

(o) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within

(i) Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(ii) Exploration and evaluation

The Group's policy for exploration and evaluation is discussed in Note 1(d).The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the statement of comprehensive income.

(p) New and Amended Standards Adopted

AASB 2011-9: *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012)*

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group presentation of its financial statements.

(q) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

— AASB 9: *Financial Instruments (December 2010)* and AASB 2010–7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).*

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the Group's financial instruments, it is impracticable at

— AASB 10: *Consolidated Financial Statements,* AASB 11: *Joint Arrangements,* AASB 12: *Disclosure of Interests in Other Entities,* AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012–10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011–7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities* . AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued.

The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

— AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

— AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011-4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011-4.

— AASB 119: *Employee Benefits (September 2011)* and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

- removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
  - service cost and net interest expense in profit or loss; and
  - remeasurements in other comprehensive income.

  AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

The directors anticipate that the application of the amendments to AASB 119 will have an impact on the amounts reported in respect of the Group's defined benefit plans. For instance, if the Group had adopted the new requirements in respect of defined benefit plans in the current reporting period, profit or loss would have been approximately lower and other comprehensive income would have been higher by the same amount. However, as the impact of the amendments to AASB 119 on initial application to the Group's 2013 financial statements will depend, in part, on the actuarial assumptions adopted at that time (including future salary levels and the discount rate), the directors are currently not able to reasonably quantify the likely impact.

— AASB Interpretation 20: *Stripping Costs in the Production Phase of Surface Mining*

This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories, if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted for reporting periods commencing from 1 January 2013.

— AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard is not expected to significantly impact the Group's financial statements.

— AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group's financial statements.

— AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and
  AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

— *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

— *IFRIC Interpretation 21 Levies*

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2 Parent Information

	2013 $	2012 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	652,395	3,145,319
Non-current Assets	3,291	5,135,211
TOTAL ASSETS	655,686	8,280,530
LIABILITIES		
Current Liabilities	58,224	118,748
Non-current Liabilities	-	-
TOTAL LIABILITIES	58,224	118,748
EQUITY		
Issued Capital	32,344,411	32,327,371
Retained losses	(32,780,427)	(25,149,066)
Reserves	1,033,478	983,478
TOTAL EQUITY	597,462	8,161,783
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total profit	(7,631,361)	(4,548,422)
Total comprehensive income	(7,631,361)	(4,548,422)

Guarantees
The Parent Entity has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities
Revenue SA has advised that they are conducting a review of the calculation of the stamp duty paid by the Company on the acquisition of South East Energy Pty Ltd. No determination has yet to be made as to whether there is any further liability.

Contractual Commitments
In order to maintain current rights of tenure to exploration tenements the Parent Entity will be required to outlay amounts totaling approximately $37,750 during the year ending 30 June 2014 (2013: $655,430) in respect of tenement lease rentals and to meet minimum expenditure requirements.

As at 30 June 2013, the Parent had no contractual commitments for the acquisition of property, plant or equipment (2012: Nil).

Note 3 Revenue and Other Income

	Consolidated Group 2013 $	2012 $
Revenue from continuing operations		
Other revenue		
Interest received	31,721	12,170
Rent received	-	666
Royalties	73,339	19,534
Total revenue	105,060	32,370

Note 4 Expenses

	Note	Consolidated Group 2013 $	2012 $
Profit before income tax from continuing operations includes the following expenses:			
Finance			
Finance costs		2,632	2,138
		2,632	2,138
Administration			
Compliance		74,895	100,176
Consulting fees		60,000	109,234
Depreciation		663	181
Legal fees		(494)	8,929
Administration costs		154,830	119,234
Employment costs		299,331	162,269
		589,225	500,023

Exploration expenditure		
General exploration written off	112,113	-
	112,113	-
Impairment of assets		
Capitalised exploration expenditure	4,464,753	139,278
	4,464,753	139,278
Disposal of assets		
Loss on disposal of property, plant and equipment	404	77,437
Loss on disposal of exploration assets	2,566,954	-
	2,567,358	77,437

Note 5 Income Tax Expense

	Consolidated Group 2013 $	2012 $
(a) The components of tax (expense)/income comprise:		
Deferred tax	-	17,809
	-	17,809
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit from continuing operations before income tax expense	(7,631,361)	(864,946)
Tax at the Australian tax rate of 30% (2012: 30%)	(2,289,408)	(259,484)
Tax effect of amounts which are not deductible (assessable) in calculating taxable income:		
— non-allowable items	15,175	18,756
— disposal of controlled entity	-	(550,256)
— items charged to equity	-	17,809
— temporary differences not bought to account	2,274,233	790,984
Income tax attributable to entity	-	17,809

A deferred tax asset (DTA) has not been recognised in respect of temporary differences as they do not meet the recognition criteria as outlined in Note 1(b) of the financial statements. A DTA has not been recognised in respect of tax losses as realisation of the benefit is not regarded as probable.

The Group has unrecognised DTAs of $9,562,288 (2012: $5,880,699) that are available indefinitely for offset against future taxable profits of the Group.

The tax rates applicable to each potential tax benefit are as follows:
— timing differences - 30%
— tax losses - 30%

Note 6 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

(a) **Directors**
The following were directors of ERO Mining Limited during the financial year:

(i) Chairman - non-executive
R M Kennedy

(ii) Executive directors
J F Houldsworth, Director and Chief Executive Officer (appointed 14 May 2013)

(iii) Non-executive directors
H M Gordon (resigned 14 May 2013)
M I Hatcher (resigned 14 May 2013)
E J Vickery (appointed 14 May 2013)

(b) **Other key management personnel**

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

Name	Position	Employer	Appointed
K J Lines	Chief Executive Officer (resigned 14 March 2013)	ERO Mining Limited	1 September 2011
P Kupniewski	Company Secretary (resigned 31 July 2013)	DMAW Lawyers	1 July 2011
J Nelson	Company Secretary	DMAW Lawyers	1 August 2012

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2013 $	2012 $
Short-term employee benefits	346,028	149,492
Post-employment benefits	30,768	6,524
Share-based payments	50,000	61,724
Company secretarial fees	16,152	-
Total KMP compensation	**442,948**	**217,740**

KMP Options and Rights Holdings

The number of options over ordinary shares held during the financial year by each KMP of the Group is as follows:

30 June 2013	Balance at beginning of year	Issued as remuneration	Purchased (exercised / expired)	Acquired / (disposed)	Balance at end of year	Vested and exercisable	Unvested
R M Kennedy	6,564,002	-	(6,564,002)	-	-	-	-
H M Gordon	5,220,834	-	(5,220,834)	-	-	-	-
M I Hatcher	-	-	-	-	-	-	-
K J Lines	1,181,251	-	(1,181,251)	-	-	-	-
J F Houldsworth	-	20,000,000 *		-	20,000,000	-	20,000,000
E J Vickery	-	-	-	-	-	-	-
	12,966,087	20,000,000	(12,966,087)	-	20,000,000	-	20,000,000

30 June 2012	Balance at beginning of year	Issued as remuneration	Purchased (exercised / expired)	Acquired / (disposed)	Balance at end of year	Vested and exercisable	Unvested
R M Kennedy	36,064,002	-	(29,000,000)	(500,000)	6,564,002	6,564,002	-
H M Gordon	31,220,834	-	(25,500,000)	(500,000)	5,220,834	5,220,834	-
M I Hatcher	-	-	(2,000,000)	2,000,000	-	-	-
K J Lines	1,181,251	-	-	-	1,181,251	1,181,251	-
I R Witton	36,667	-	-	-	36,667	36,667	-
S R Gale	31,566,521	-	(26,900,000)	(500,000)	4,166,521	4,166,521	-
	100,069,275	-	(83,400,000)	500,000	17,169,275	17,169,275	-

* Retention rights; refer to Note 23.

KMP Shareholdings

The number of ordinary shares in ERO Mining Limited held by each KMP of the Group during the financial year is as follows:

30 June 2013	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
R M Kennedy	64,487,212	-	-	-	64,487,212
H M Gordon	23,883,333	-	-	(860,286)	23,023,047
M I Hatcher	1,000,000	-	-	-	1,000,000
K J Lines	17,235,001	-	-	-	17,235,001
J F Houldsworth	1,000,000	-	-	-	1,000,000
E J Vickery	2,000,000	-	-	-	2,000,000
	109,605,546	-	-	(860,286)	108,745,260

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
R M Kennedy	26,256,005	-	-	38,231,207	64,487,212
H M Gordon	20,883,333	-	-	3,000,000	23,883,333
M I Hatcher	-	-	-	1,000,000	1,000,000
K J Lines	4,805,001	6,000,000	6,430,000	-	17,235,001
I R Witton	146,666	-	-	-	146,666
S R Gale	18,666,081	-	-	(73,783)	18,592,298
	70,757,086	6,000,000	6,430,000	42,157,424	125,344,510

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

Note 7 Auditors' Remuneration

	Consolidated Group 2013 $	2012 $
Grant Thornton		
Audit and review of financial reports	27,900	27,000
Total Auditor's remuneration	27,900	27,000

Note 8 Earnings per Share

	Consolidated Group 2013 $	2012 $
(a) **Basic earnings per share**		
Loss attributable to the ordinary equity holders	(7,631,361)	(882,226)
Weighted average number of shares outstanding during the year used to calculate	629,199,030	400,171,650
Basic earnings per share (cents)	(1.213)	(0.220)
(b) **Basic earnings per share from continuing operations**		
Loss attributable to the ordinary equity holders from continuing operations	(7,631,361)	(710,562)
Weighted average number of shares outstanding during the year used to calculate	629,199,030	400,171,650
Basic earnings per share from continuing operations (cents)	(1.213)	(0.178)
(c) **Dilutive earnings per share**		
Loss attributable to the ordinary equity holders	(7,631,361)	(882,226)
Weighted average number of shares outstanding during the year used to calculate	629,199,030	400,171,650
Dilutive earnings per share (cents)	(1.213)	(0.220)
(d) **Dilutive earnings per share from continuing operations**		
Loss attributable to the ordinary equity holders from continuing operations	(7,631,361)	(710,562)
Weighted average number of shares outstanding during the year used to calculate	629,199,030	400,171,650
Dilutive earnings per share from continuing operations (cents)	(1.213)	(0.178)

Options granted to employees under ERO Mining Limited Employee Share Option Plan and retention rights issued pursuant to Employment Agreements are considered to be potential ordinary shares. These have a dilutive effect on the weighted average number of ordinary shares. As ERO Mining Limited has reported a loss of $7,631,361 this financial year (2012: $882,775), the options and retention rights have not been included in the determination of diluted earnings per share. Details relating to the options are set out in Note 23.

Note 9 Cash and Cash Equivalents

	Consolidated Group 2013 $	2012 $
Cash at bank and on hand	86,804	278,340
Short-term bank deposits	317,616	946,555
	404,420	1,224,895

Note 10 Trade and Other Receivables

	Consolidated Group 2013 $	2012 $
CURRENT		
Trade receivables	-	2,432
Other receivables		
— GST paid on purchases	8,965	13,892
— Interest receivable	138	341
— Work cover receivable	1,979	-
Total current trade and other receivables	11,082	16,665

Past due but not impaired

As at 30 June 2013 there were no material trade and other receivables that were considered to be past due or impaired (2012: Nil)

Note 11 Joint Venture

(a) The Group has the following interest in Joint Venture Operations

State	Agreement Name	Parties	Summary
SA & NT	Eromanga Basin Agreement	ERO Mining Ltd (ERO) and Maximus Resources Ltd (MXR) and Flinders Mines Ltd (FMS)	ERO can earn a 70% interest in MXR's Eromanga Basin project tenements in SA and the NT by spending $7 million on the project within 6 years. This project was abandoned during the financial year.
SA	Billa Kalina Agreement	ERO and MXR and FMS	ERO can earn a 50% interest in the non-diamond mineral rights of MXR's Billa Kalina project tenements by spending $3 million on the tenements within 6 years. ERO's interest in this project was sold to MXR during the financial year.

Note 12 Controlled Entities

(a) **Significant Investments in Subsidiaries**

Name of Entity	Country of Incorporation	Class of Shares	Percentage Owned (%) 2013	2012
ERO Metals Pty Ltd	Australia	Ordinary	100	100
Eromanga Uranium Resources Pty Ltd	Australia	Ordinary	100	100
South East Energy Limited	Australia	Ordinary	100	100

(b) **Acquisition of Controlled Entities**

There were no acquisitions of controlled entities during the 2013 financial year (2012: none).

(c) **Disposal of Controlled Entities**

There were no disposals of controlled entities during the 2013 financial year.

On 9 December 2011 the parent entity disposed of its 100% interest in ERO Georgetown Gold Operations Pty Ltd. The total loss recognised in respect of the disposal of ERO Georgetown Gold Operations Pty Ltd in the consolidated statement of comprehensive income amounted to $171,665. No remaining interest in the entity was held by any member of the consolidated entity.

Note 13 Property, Plant and Equipment

	Plant and Equipment	Furniture, fittings & equipment	Machinery and vehicles	Computer equipment	Computer software	Total
	$	$	$	$	$	$
Consolidated Group:						
At 1 July 2011						
Cost or fair value	102,324	3,527	252,119	4,664	3,158	365,792
Accumulated depreciation	(47,823)	(1,528)	(131,854)	(4,394)	(3,023)	(188,622)
Net book amount	54,501	1,999	120,265	270	135	177,170
Year ended 30 June 2012						
Opening net book value	54,501	1,999	120,265	270	135	177,170
Additions	-	-	-	1,784	-	1,784
Disposals	(54,501)	(1,385)	(120,265)	-	-	(176,151)
Depreciation expense	-	(116)	-	(138)	(49)	(303)
Closing net book amount	-	498	-	1,916	86	2,500
At 30 June 2012						
Cost or fair value	-	947	-	6,448	3,158	10,553
Accumulated depreciation	-	(449)	-	(4,532)	(3,072)	(8,053)
Net book amount	-	498	-	1,916	86	2,500
Year ended 30 June 2013						
Opening net book value	-	498	-	1,916	86	2,500
Additions	-	-	-	1,631	227	1,858
Disposals	-	(404)	-	-	-	(404)
Depreciation expense	-	(94)	-	(482)	(87)	(663)
Closing net book amount	-	-	-	3,065	226	3,291
At 30 June 2013						
Cost or fair value	-	-	-	3,815	1,184	4,999
Accumulated depreciation	-	-	-	(750)	(958)	(1,708)
Net book amount	-	-	-	3,065	226	3,291

Note 14 Exploration and Evaluation

Exploration and evaluation	Consolidated Group 2013	2012
	$	$
Movement:		
Opening balance	7,028,896	6,941,105
Proceeds from disposal of exploration asset	(27,500)	-
Expenditure incurred	258,181	227,069
Exploration expenditure impaired	(4,464,753)	(139,278)
Loss on disposal of exploration assets	(2,566,954)	-
Closing balance	227,870	7,028,896
Closing balance comprises:		
Exploration and evaluation - 100% owned	227,870	5,805,018
Exploration and evaluation phases - joint venture	-	1,223,878
	227,870	7,028,896

Due to some of the results received over the financial year and the surrender of various tenements, the Board has decided to impair the full carrying value of a number of its South Australian assets.

Note 15 Other Assets

	Consolidated Group 2013	2012
	$	$
CURRENT		
Prepayments	9,022	7,972
	9,022	7,972

Note 16 Trade and Other Payables

	Note	Consolidated Group 2013 $	2012 $
CURRENT			
Unsecured liabilities			
Trade payables		20,128	17,226
Accrued expenses and sundry expenses		30,048	73,090
Employee benefits		2,580	1,892
GST collected on sales		1,330	6,414
Unissued shares		-	17,040
	26	54,086	115,662

Note 17 Provisions

	Consolidated Group 2013 $	2012 $
CURRENT		
Short-term Employee Benefits		
Opening balance at 1 July 2012	3,483	43,425
Additional provisions	19,311	3,483
Amounts used	(18,657)	-
Unused amounts reversed	-	(43,425)
Balance at 30 June 2013	4,137	3,483

Note 18 Issued Capital

(a) Share capital

	Consolidated Group 2013 $	2012 $
629,227,041 (2012: 625,819,041) fully paid ordinary shares	32,344,411	32,327,371
	32,344,411	32,327,371

(b) Movement in ordinary share capital

Date	Details	No.	Issue price $	$
01/07/2011	Opening balance	348,298,731		30,688,343
15/08/2011	1 for 5 non-renounceable rights offer	11,818,146	0.027	319,090
16/11/2011	Exercise of options proceeds received	3,000	0.060	180
08/12/2011	Exercise of options proceeds received	7,500	0.060	450
28/12/2011	Exercise of options proceeds received	300	0.060	18
15/03/2021	Exercise of options proceeds received	12,084	0.060	725
29/03/2012	Shares issued pursuant to a Service Agreement	6,000,000	0.010	61,724
02/05/2012	1 for 1 non-renounceable rights issue	191,186,480	0.005	955,932
17/05/2012	Shortfall of 1 for 1 non-renounceable rights issue	68,492,800	0.005	342,464
				32,368,926
	Less: transaction costs arising on share issue			(59,364)
	Deferred tax credit recognised in equity			17,809
30/06/2012	Balance	625,819,041		32,327,371
04/07/2012	Issue of shortfall under rights issue	3,408,000		17,040
				32,344,411
	Less: transaction costs arising on share issue			-
	Deferred tax credit recognised in equity			-
		629,227,041		32,344,411

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) **Capital Management**

Management controls the capital of the Group in order to maintain generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group has no debt capital. The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Note 19 Capital and Leasing Commitments

In order to maintain current rights of tenure to exploration tenements the Group will be required to outlay amounts totaling approximately $37,750 during the year ending 30 June 2014 (2013: $2,589,067) in respect of tenement lease rentals and to meet minimum expenditure requirements.

Note 20 Contingent Liabilities and Contingent Assets

Revenue SA has advised that they are conducting a review of the calculation of the stamp duty paid by the Company on the acquisition of South East Energy Pty Ltd. No determination has yet to be made as to whether there is any further liability.

Note 21 Operating Segments

Identification of reportable segments

Management has determined the operating segments based on the reports reviewed and used by the Board of Directors (the chief operating decision maker) that are used to make strategic decisions. The Group is managed primarily on the basis of geographical area of interest, since the diversification of Group operations inherently has notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

— geographical location; and
— any external regulatory requirements.

Basis of accounting for purposes of reporting by operating segments

(a) **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) **Operations**

The Billa Kalina segment was disposed of during the year. Further listed segmented assets for the Group including exploration costs and costs associated with mining leases are reported on in the segment.

Segment Information

30 June 2013	South East Energy	Abminga Gold	Billa Kalina Uranium	All Other Segments	Total
	$	$	$	$	$
Segment revenue	-	-	-		-
Adjusted earnings before interest, tax, depreciation	(4,446,996)	(11,791)	(2,401,502)	(171,418)	(7,031,707)
Cost of goods sold	-	-	-	-	-
Impairment	(4,446,996)	(11,791)	-	(5,966)	(4,464,753)
Loss on disposal of exploration assets	-	-	(2,401,502)	(165,452)	(2,566,954)
Segment assets	**-**	**-**	**-**	**227,870**	**227,870**
Segment asset movements for the year:					
Proceeds from the disposal of exploration assets	-	-	(27,500)	-	(27,500)
Capital expenditure	84,806	11,791	41,187	120,397	258,181
Capital expenditure impaired	(4,446,996)	(11,791)	-	(5,966)	(4,464,753)
Loss on disposal of exploration assets	-	-	(2,401,502)	(165,452)	(2,566,954)
Total movement for the year	**(4,362,190)**	**-**	**(2,387,815)**	**(51,021)**	**(6,801,026)**

Segment assets	227,870
Unallocated assets	427,815
Total assets	**655,685**
Segment liabilities	-
Unallocated liabilities	58,223
Total liabilities	**58,223**

30 June 2012	South East Energy	Abminga Gold	Billa Kalina Uranium	Georgetown gold	All Other Segments	Total
	$	$	$	$	$	$
Segment revenue	-	-	-		-	-
Adjusted earnings before interest, tax, depreciation	-	(10,969)	-	(119,444)	(9,250)	(139,663)
Cost of goods sold	-	-	-	(385)	-	(385)
Impairment	-	(10,969)	-	(119,059)	(9,250)	(139,278)
Segment assets	**4,061,012**	**-**	**2,387,816**	**-**	**580,068**	**7,028,896**
Segment asset movements for the year:						-
Capital expenditure	7,064	10,969	5,076	90,683	113,277	227,069
Capital expenditure impaired	-	(10,969)	-	(119,059)	(9,250)	(139,278)
Total movement for the year	7,064	-	5,076	(28,376)	104,027	87,791

Segment assets	7,028,896
Unallocated assets	1,252,032
Total assets	**8,280,928**
Segment liabilities	-
Unallocated liabilities	119,145
Total liabilities	**119,145**

(b) **Adjusted EBITDA**

	2013	2012
	$	$
Allocated	(7,031,707)	(139,663)
Reconciliation of segment liabilities to group liabilities		
Unallocated		
Interest revenue	31,721	12,170
Other revenue	73,339	20,200
Other expenses	-	(5,694)
Marketing expenses	(341)	(697)
Administrative expenses	(589,225)	(500,023)
Finance costs	(2,632)	(2,138)
General exploration	(112,113)	-
Loss on disposal of assets	(403)	(77,436)
Loss on disposal of subsidiary	-	(171,665)
Profit before income tax	(7,631,361)	(864,946)

(c) **Segment revenue**

Segment revenue reconciles to total revenue from continuing operations as follows:

	2013	2012
	$	$
Total segment revenue	-	-
Interest revenue	31,721	12,170
Other revenue	73,339	20,200
Total revenue from continuing operations	105,060	32,370

(d) **Segment Assets**

Reportable segments' assets are reconciled to total assets as follows:

	2013	2012
Allocated	$	$
Segment assets	227,870	7,028,896
Unallocated		
Cash and cash equivalents	404,420	1,224,895
Trade and other receivables	11,082	16,665
Other current assets	9,022	7,972
Property, plant and equipment	3,291	2,500
Total Assets	655,685	8,280,927

(e) **Segment Liabilities**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2013	2012
Allocated	$	$
Segment liabilities	-	-
Unallocated		
Trade and other payables	54,086	115,662
Provisions	4,137	3,483
Total Liabilities	58,223	119,145

Note 22 Cash Flow Information

	Consolidated Group 2013 $	2012 $
(a) **Reconciliation of Cash Flow from Operations with loss after Income Tax**		
Profit after income tax	(7,631,361)	(882,755)
Non-cash flows in loss		
Depreciation	663	181
Loss on disposal of property, plant and equipment	404	77,437
Loss on disposal of controlled entity	-	171,665
Loss on disposal of exploration assets	2,566,954	-
Exploration and evaluation expenditure written off	112,113	-
Impairment loss	4,464,753	139,278
Share based payments	50,000	61,724
Income tax expense	-	17,809
(Increase)/decrease in trade and other receivables	423	1,348
(Increase)/decrease in prepayments	(1,049)	11,389
(Increase)/decrease in other non-current assets	-	41,962
Increase/(decrease) in goods and services tax	339	(31,557)
Increase/(decrease) in trade and other payables	(24,324)	(39,483)
Increase/(decrease) in provisions	654	(39,940)
Cash flow from operations	(460,431)	(470,943)

Note 23 Employee Options & Retention Rights

(i) Employee Options

The ERO Mining Limited Employee Share Option Plan enables the Board at its discretion, to issue options to employees of the Company or its associated companies. Each option will have a life of five years and be exercisable at a price determined by the Board. This price will not be below the market price of a share at the time of issue. The options granted under the plan carry no voting or dividend rights.

The following share based payment arrangements existed at 30 June 2013:

On 4 February 2009 1,205,000 options were issued to employees under the Company's Employee Share Option Plan. The options are exercisable at 2.8 cents on or before 3 February 2014.

Set out below is a summary of the options granted under the Plan.

	Consolidated Group Number	Weighted average exercise price
Options outstanding as at 1 July 2011	1,032,666	$0.121
Granted	-	
Forfeited	-	
Exercised	-	
Expired	(228,000)	$0.295
Options outstanding as at 30 June 2012	804,666	$0.930
Granted	-	
Forfeited	-	
Exercised	-	
Expired	(363,000)	$0.173
Options outstanding as at 30 June 2013	441,666	$0.028

The weighted average remaining contractual life of options outstanding at year end was 7 months. The exercise price of outstanding options at the end of the reporting period was $0.028.

(ii) Retention Rights

Joe Houldsworth was granted 20,000,000 retention rights pursuant to his appointment as Chief Executive Officer of ERO Mining Ltd on 15 May 2013 (2012: Nil). 50% of the rights will vest on the first anniversary of employment and 50% of the rights will vest on the second anniversary of employment. Upon vesting, 1 ordinary share in ERO Mining Ltd will be issued for each right for no consideration.

A calculation of the fair value of retention rights granted was made using the Binomial options pricing model applying the following inputs:.

	Year 1 tranche	Year 2 tranche
Weighted average fair value	$0.005	$0.005
Weighted average exercise price	$0.000	$0.000
Weighted average life of the retention rights	365	730
Underlying share price	$0.005	$0.005
Expected share price volatility	100.50%	100.50%
Risk free interest rate	2.54%	2.54%

The life of the options is based on the days remaining until expiry. Volatility is based on historical share prices.The retention rights have a value $0.005 per retention right.

Set out below is a summary of the retention rights granted.

	Consolidated Group	
	Number	Weighted average exercise price
Retention rights outstanding as at 1 July 2012	-	$0.000
Granted	20,000,000	$0.000
Forfeited	-	
Exercised	-	
Expired	-	
Retention rights outstanding as at 30 June 2013	20,000,000	$0.000

The weighted average remaining contractual life of retention rights outstanding at year end was 16 months. The exercise price of outstanding retention rights at the end of the reporting period was $0.000.

Note 24 Events After the Reporting Period

Subsequent to the end of the 2013 financial year, the Company identified two gold projects at the conclusion of its process of evaluation of new opportunities which were in line with its new growth strategy. The Company announced on 1 July 2013 that it agreed the terms of a conditional sale and purchase agreement with Ramelius Resources Ltd (ASX: RMS) to acquire the Spargoville Project in Western Australia for scrip. The Spargoville Project represents an advanced exploration project which hosted the previously mined, high grade Wattle Dam deposit and 36 prospective adjoining tenements.

Shortly following the announcement of the acquisition of the Spargoville Project, the Company announced that it had agreed terms for a conditional share sale agreement to acquire Valley Floor Resources Pty Ltd for scrip. Valley Floor Resources is the holder of Exploration Licence E15/1249 in Western Australia containing the Valley Floor Prospect. A drilling program is planned for the second of 2013 to test in interpreted structures for gold mineralisation. The consideration to be paid pursuant to this agreement is to be satisfied by the issue of 50,000,000 fully paid ordinary shares to be apportioned amongst the vendors of Valley Floor Resources Pty Ltd to the value of $150,000.

Apart from the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 25 Related Party Transactions

(a) **The Group's main related parties are as follows:**

i. **Subsidiaries**
Interests in subsidiaries are set out in Note 12.

ii. **Key management personnel**
For details of transactions relating to key management personnel, refer to Note 6.

iii. **Other Related Parties**
There are no other transactions with other related parties.

Note 26 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to associated companies.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
		2013	2012
	Note	$	$
Financial Assets			
Cash and cash equivalents	9	404,420	1,224,895
Trade and other receivables	10	11,082	16,665
Total Financial Assets		415,502	1,241,560
Financial Liabilities			
Financial liabilities at amortised cost			
Trade and other payables	16	54,086	115,662
Total Financial Liabilities		54,086	115,662

Financial Risk Management Policies

Risk management is carried out by management under policies approved by the Board of Directors. Management monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of default by borrowers and transactional counterparties as well as the loss of value of assets due to deterioration in credit quality. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations. The Group manages liquidity risk by monitoring cash flows and ensuring that adequate funds are available to meet cash demands.

(c) Market Risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instrument which exposes the Group to interest rate risk are cash and cash equivalents.

At the end of the reporting period, the Group had the following variable cash and cash equivalent holdings

	Consolidated Group			
	Effective Average Fixed Interest Rate Payable		Notional Principal	
	2013	2012	2013	2012
Maturity of notional amounts	%	%	$	$
Less than 1 year	3.25%	3.82%	404,420	1,224,895
1 to 2 years				
2 to 5 years				
			404,420	1,224,895

Foreign exchange risk

Foreign exchange risk is the risk that financial loss will be suffered due to adverse movements in exchange rates. The Group is not exposed to foreign exchange risk.

Cash flow and fair value interest risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted interest rates on classes of financial assets and financial liabilities. Interest rate risk is managed by the Group with the use of rolling short-term deposits.

Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from foreign exchange or interest rate risk). The Group is not exposed to any material price risk.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	Consolidated Group	
	Profit	Equity
Year ended 30 June 2013	**$**	**$**
+2% in interest rates	8,088	8,088
-2% in interest rates	(8,088)	(8,088)

	Profit	Equity
Year ended 30 June 2012	**$**	**$**
+2% in interest rates	24,498	24,498
-2% in interest rates	(24,498)	(24,498)

The Group has no long term financial liabilities upon which it pays interest.

Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group did not have any financial assets or liabilities measured at fair value at 30 June 2013 (2012: Nil).

Note 27 Reserves

a. **Share based payments**
The share based payments reserve records items recognised as expenses on valuation of employee share options and retention rights and options issued to external parties in consideration for goods and services rendered.

b. **Analysis of Each Class of Reserves**

		Consolidated	
		2013	2012
	Note	$	$
Share based payments		1,033,478	983,478
Movements during the year:			
Opening balance		983,478	983,478
Options issued pursuant to a Service Agreement		50,000	-
Closing balance		1,033,478	983,478

Note 28 Sale of ERO Georgetown Gold Operations Pty Ltd ("EROGT")

The sale of EROGT to an external party on 9 December 2011 resulted in a loss on deconsolidation. The deconsolidation of EROGT resulted in the Group incurring a loss of $171,664. The deconsolidation had the following effect on the Group's financial position:

(a) EROGT's assets and liabilities at 9 December 2011:

	$
Property, plant and equipment	150,000
Mining property	200,000
Other assets	17,773
Trade creditors	3,892
Net assets	**371,665**
Consideration received	200,000
Loss on consolidation	**171,665**

(b) EROGT's financial performance for the period 1 July 2011 to 9 December 2011:

	$
Cost of sales	(385)
Administrative expenses	(144)
Loss for the period	**(529)**
Income tax expense	-
Loss attributable to members of the parent entity	**(529)**

(c) EROGT's statement of cash flows for the period 1 July 2011 to 9 December 2011:

	$
Net cash outflow from operating activities	(362)
Net cash inflow from investing activities	-
Net cash outflow from financing activities	(18,693)
Net cash decrease in cash held	(19,055)
Cash held at 1 July 2011	19,055
Cash held at 9 December 2011	-

Loss on disposal of EROGT is disclosed by loss from disposal of controlled entity per the statement of comprehensive income.

Additional consideration, not disclosed above, on the sale of ERO Georgetown Gold Operations is a royalty up to a maximum of $150,000. Royalty payments are treated as revenue upon receipt.

Note 29 Going Concern

The financial report has been prepared on the basis of going concern.

The cash flow projections of the Group indicate that it will require positive cash flows from additional capital for continued operations. The Group incurred a loss of $7,631,361 (2012: $882,755) and operations were funded by a net cash outlay of $820,475.

The Group's ability to continue as a going concern is contingent on obtaining additional capital. If additional capital is not obtained, the going concern basis may not be appropriate, with the result that the consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and in amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial

Note 30 Company Details

The registered office of the company is:
ERO Mining Limited
Level 3
100 Pirie Street
Adelaide SA 5000

The principal places of business are:
ERO Mining Limited
Level 3
100 Pirie Street
Adelaide SA 5000

ERO MINING LIMITED
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of ERO Mining Limited , the directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001, which, as stated in accounting policy note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

3. the directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Joesph F Houldsworth
Director
Adelaide
15 July 2013

Grant Thornton

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ERO MINING LIMITED

Report on the financial report

We have audited the accompanying financial report of Ero Mining Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton South Australian Partnership ABN 27 244 906 724
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Ero Mining Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 29 in the financial report which indicates that the company and consolidated entity's incurred a net loss of $7,631,361 during the year ended 30 June 2013 and net cash outlay of $820,475. These conditions, along with other matters as set forth in Note 29, indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as a going concern and therefore, the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Ero Mining Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 15 July 2013