



HIGHLIGHTS



- *Stage 1 exploration testing for mineral sands at the Padthaway Project SA was completed during the quarter. Results expected Q1 2012.*
- *Deed of Access for Exploration received for the Peeweena Dam Prospect (IOCGU) near Olympic Dam SA. Exploration start is awaiting clarification of Deed terms.*
- *Sale of the Georgetown Alluvial Gold Operations was completed during the quarter.*
- *Joint Venture discussions underway with respect to ERO's Northern Gawler Craton and Tanami project areas.*

REVIEW OF OPERATIONS

Exploration Activities

PADTHAWAY AREA PROJECT

ERO 100% in South East Energy's ELs 4040, 4041, 4042, 4043, 4044, 4045, 4046, 4054, 4418, 4747 and South East Energy's ELAs 326/10, 02/11 and 64/11

Exploration for heavy mineral sands (HMS) within the Padthaway Project area is undertaken by Iluka Resources Limited under the terms of a Joint Venture agreement with ERO's wholly owned subsidiary, South East Energy.

The main points of the agreement are:

- Iluka shall farm-in by conducting exploration for HMS on eight ERO exploration licenses near Padthaway in southeastern South Australia.
- Agreement allows for ERO to retain rights to uranium and other minerals.
- Iluka to spend \$300,000 over two years to earn 80% interest in the mineral sands.
- Additional payments and royalties to ERO in the event of successful mining lease application.

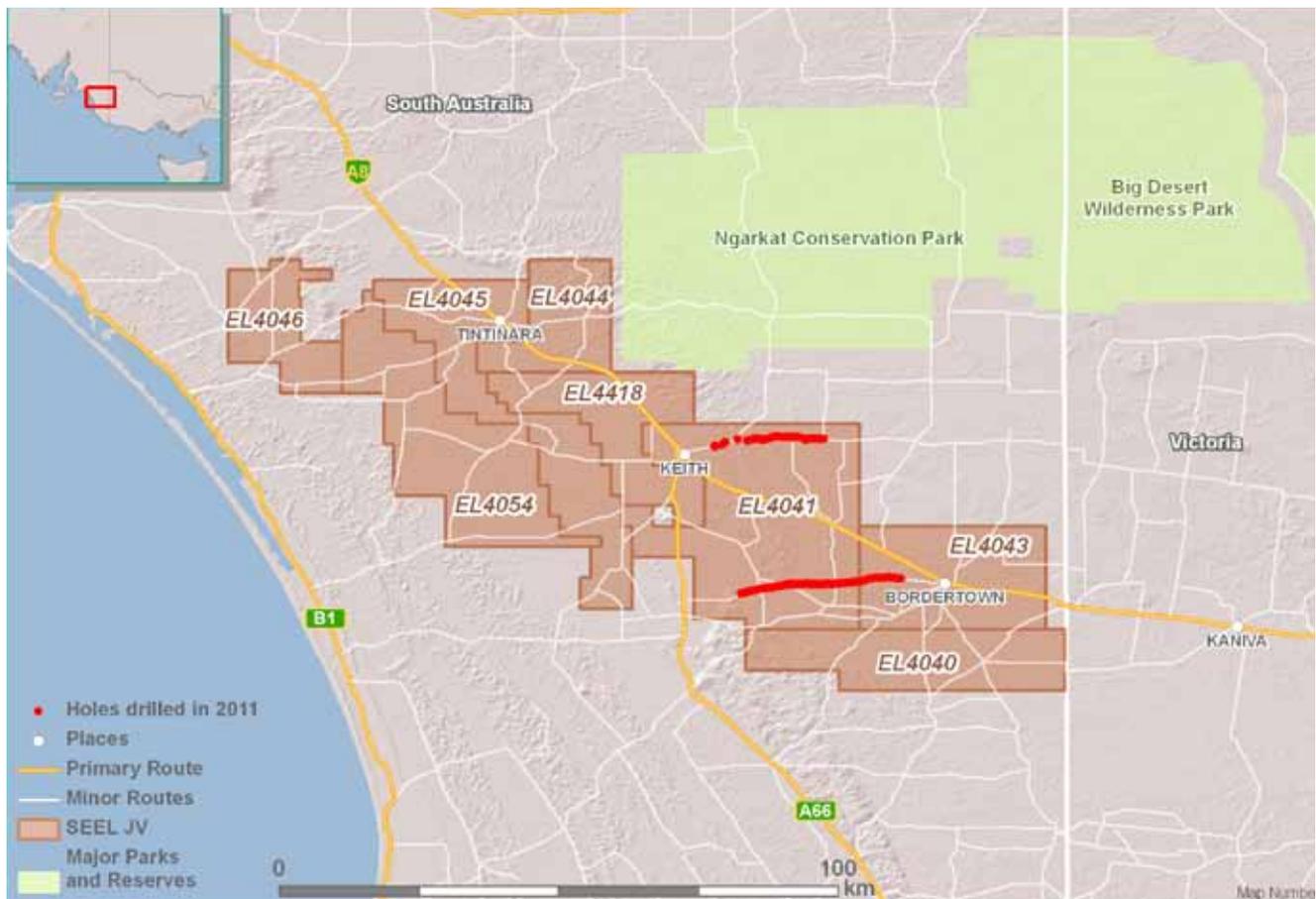


Figure 1 Location of ERO Mining's Padthaway joint venture area.

The agreement allows ERO to retain the rights to uranium and other minerals in the tenements in line with ERO's stated policy of focusing its future exploration on key lithium, uranium and gold projects in South Australia and the Northern Territory.

During Q4 2011 Iluka completed stratigraphic exploration drilling as planned within the Padthaway project area.

Drilling was completed along two roads within ELs 4041 and 4043 located between the towns of Keith and Bordertown South Australia (Figure 1). A total of 161 holes were completed for a total of 4,242 m, with holes placed at approximately 200 m centres. Samples collected for assay are being processed with analytical results expected by the end of the first quarter of 2012.

Further exploration work will await assays and geological interpretation.

BILLA KALINA

ERO Mining earning 50% under the terms of the Billa Kalina JV from Maximus Resources Ltd in ELs 3526, 3525, 3170, 3337 and 3338

PEEWEENA DAM

The Billa Kalina Project is located 70 km north-north-west of the Olympic Dam copper-gold-uranium (IOCGU) mine, and 45 km east of the more recent discovery and mine development at Prominent Hill, South Australia (Figure 2). ERO is exploring for IOCGU deposits in the deeper basement rocks and for sandstone-hosted uranium mineralisation in the shallower sedimentary cover sequences.

As previously announced the Company has been negotiating with the Federal Government to secure exploration access to the Peeweena Dam prospect area. This prospect lies within the Woomera Prohibited Area and requires a Deed of Exploration to be approved and executed before any on-ground exploration activities can begin. During the quarter the Company received a draft Deed of Access for Exploration from the Federal Government. Following signing of the Deed, ERO had anticipated undertaking a ground gravity survey of the Peeweena Dam anomaly in early 2012 however exploration has been delayed pending clarification of some of the terms of the Deed. This delay relates specifically

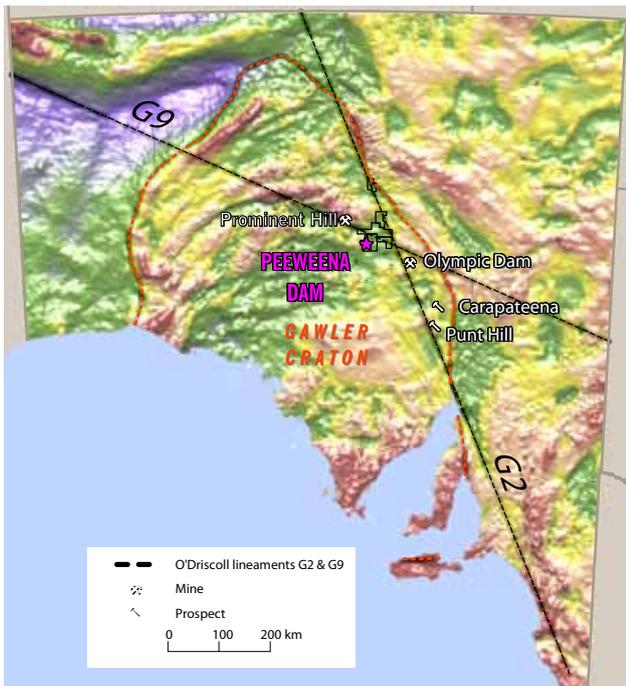


Figure 2 Location of Peeweena Dam Gravity Anomaly in relation to IOCGU mines.

to the possible change of ownership of Flinders Mines Limited, the underlying registered tenement holder, which (should this change occur) would void the current Deed. ERO, through its corporate and legal advisors is seeking resolution of these issues at the earliest possible opportunity.

It is the Company's intention, that upon grant of the Deed of Exploration, it will embark on a ground gravity survey over the Peeweena Dam area to confirm the presence of a significant gravity feature indicated in a wide-spaced (7x7 km) survey completed in the 1970s. Confirmation of the gravity anomaly would support drill testing for IOCGU mineralization similar to Olympic Dam, Prominent Hill and Carapateena.

NORTH GAWLER CRATON

ERO Mining 100% in ELs 4020 and 4019

The North Gawler project is located along the northern margins of the Gawler Craton in the Marla region of South Australia. The project consists of two primary targets at Welbourn Hill and Nicholson and was explored by the Company in 2008-09 targeting iron-oxide, copper, gold mineralisation of the Olympic Dam type.

The Company has been approached by third parties interested in a possible joint venture over the project areas. Subject to data reviews and negotiation of satisfactory joint venture terms the Company considers that the introduction of a third party represents the best mechanism for moving these projects forward.

WERTALOONA PROJECT

ERO Mining 100% in ELs 4601 and 4602

During the quarter no significant ground based exploration activities were undertaken at the Wertaloona Project.

MORALANA PROJECT

ERO Mining 100% in EL4580

During the quarter no significant ground based exploration activities were undertaken at the Moralana Project.

EROMANGA BASIN JOINT VENTURE

ERO Mining earning 70% under the Eromanga Basin JV Agreement with Maximus Resources Limited in the Abminga & Marree Projects

ABMINGA AND MARREE PROJECTS

During the quarter no significant ground based exploration activities were undertaken at the Abminga and Marree Projects. The Company continues to review these projects areas and has reduced the overall tenement acreage when the holding costs are considered excessive.

TANAMI EXPLORATION INITIATIVE

Objectives

The Tanami Region, located approximately 600km north west of Alice Springs, in the Northern Territory, has become Australia's premier Proterozoic Gold Province, with virtually all discoveries made since the mid 1980s. The Tanami Region is one of the last remaining provinces in Australia capable of hosting multi-million ounce gold deposits. The Tanami is currently the host to the Callie Gold Mine, containing 7Mozs of gold, and several other 0.5Mozs to 1Mozs deposits. Despite the operation of major processing facilities and considerable gold production the Tanami remains sparsely explored, and ERO Mining considers the probability for further discoveries to be high. Outcrop in the region is poor, and this has led to a lack of geological knowledge. While the discovery history of the Tanami has been essentially continuous since the mid 1980's, proprietary information on discoveries has been closely guarded. The release, by major gold companies, of large areas of highly prospective land in the Tanami has rapidly resulted in a significant increase in exploration activity across the Tanami and further supports the Company's exploration strategy in the region. (Figure 3)

No ground based exploration was possible during the quarter under review due to the onset of the Northern Australian Wet Season. However the Company has received interest from third parties in the possibility of joint venturing some, or all, of the Company's gold/uranium exploration portfolio in the Tanami. Discussions are ongoing.

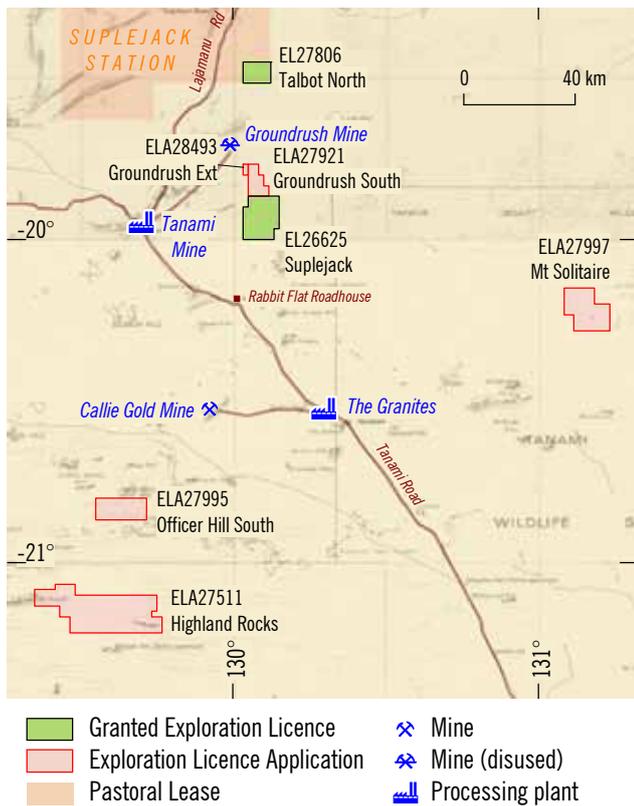


Figure 3 Location of Tanami Exploration Initiative licence areas.

GEORGETOWN GOLD OPERATIONS

ERO Mining 100%

The previously announced sale by the Company of ERO Georgetown Gold Operations Pty Ltd was completed on 9 December 2011. The Company received \$200,000 cash for the sale, and a right to be paid a royalty at the rate of 10% of the price actually received for all gold produced by any means from all or any part of the area covered the Georgetown tenements, subject to a cap of \$150,000.

For further information please contact:

ERO Mining on 08 7324 3195, or

Investor relations:

Mr Duncan Gordon,

Executive Director, Adelaide Equity Partners
on 0404 006 444

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

CORPORATE ACTIVITIES

During the December quarter the continued focus of the Board, has been directed at a range of measures designed to reduce administrative costs and release capital for exploration. Principal amongst these measures has been the finalization of the sale of our Georgetown Gold Operations and the resultant stemming of the drain on the Company's cash reserves. The funds received from the sale of Georgetown will be applied to the Company's proposed geophysical exploration programs at Peeweena Dam and support measures to address the current financial position of ERO Mining.

FINANCE

As at 31 December 2011, ERO Mining had available funds of \$0.232 million of which the majority is held in term deposits with Australian banks. During the current quarter total net operating expenditure by the company was \$0.105 million.

Mr Kevin Lines

Chief Executive Officer

31 January 2012

DISCLAIMER

This report contains forward looking statements that are subject to risk factors associated with the exploration and mining industry.

It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Kevin Lines who is a Member of the Australasian Institute of Mining and Metallurgy, and who has sufficient experience relevant to the style of mineralisation, the type of deposit under consideration, and the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration results, Mineral Resources and Ore Reserves (the JORC Code). This report is issued in the form and context in which it appears with the written consent of the Competent Person, who is Managing Director of the Company.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

ERO MINING LIMITED

ABN

40 119 031 864

Quarter ended ("current quarter")

31 DECEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(43) (64)	(257) (248)
1.3 Dividends received	-	
1.4 Interest and other items of a similar nature received	2	4
1.5 Interest and other costs of finance paid	-	
1.6 Income taxes paid	-	
1.7 Other (provide details if material)	-	
	(105)	(501)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets		(1)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	200	299
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
	200	298
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	95	(203)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	95	(203)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.		319
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		(3)
	Net financing cash flows		316
	Net increase (decrease) in cash held	95	113-
1.20	Cash at beginning of quarter/year to date	137	119
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	232	232

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	0	0

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	50
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	232	137
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.22)	232	137

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL 3982	Holder	100%	Nil

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	EPM 15995 EPMA 18130 ML 3487 ML 3488 ML 3498 ML 3539 ML 6721 ML 30017 ML 30018 ML 30019 ML 30084 ML 20091 ML 30122 ML 30124 ML 30148 ML 30227	Holder (via subsidiary that has now been sold)	100%	Nil
-----	---	--	--	------	-----

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	360,116,877	360,116,877		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	86,824,029 228,000 50,000 313,000 441,666	86,824,029	<i>Exercise price</i> \$0.060 \$0.220 \$0.220 \$0.165 \$0.028	<i>Expiry date</i> 28/09/2012 20/03/2012 19/11/2012 05/03/2013 03/02/2014
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter	196,250,000		\$0.050	31/10/2011
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

Date: 31 January 2012



Company secretary

Print name: Peter Kupniewski

+ See chapter 19 for defined terms.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Issued and quoted securities. The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==