



ERO MINING LIMITED

Consolidated Entity

ABN 40 119 031 864

Interim Financial Report

For the half-year ended 31 December 2012

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Directors' report

Your directors present their report on the consolidated entity consisting of ERO Mining Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2012.

Directors

The following persons were directors of ERO Mining Limited at any time during the financial year and up to the date of this report:

Robert Michael Kennedy (Non-executive Chairman)
Hector Mackenzie Gordon (Non-Executive Director, appointed 24 January 2011)
Michael Ivor Hatcher (Non-executive Director, appointed 28 June 2011)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

The Company's major efforts during the half year have been directed at obtaining a Deed of Access – Exploration for the Company's Billa Kalina project within the Woomera Prohibited Area of South Australia and negotiating with interested parties looking to participate in exploration of the Company's mineral sands and lithium projects.

During the period under review the Company was advised that a Deed of Access – Exploration has been granted by the Defence Department over EL 4854, part of the Billa Kalina Project in the Olympic Dam region of central South Australia. The Billa Kalina Project is being explored under the terms of a joint venture between the Company and Maximus Resources Limited (ASX:MXR) where the Company is earning a 50% interest in the tenements (ELs 4854,4463, & 4899) by expenditure of \$3 million over the life of the Agreement. ERO Mining is the manager and operator of the Joint Venture.

The Company's has contracted Atlas Geophysics to undertake a ground gravity survey designed to validate a significant 10 mgal gravity anomaly at Peeweena Dam, (first identified by a wide spaced 7km x 7km region survey completed in the 1970's). All access permits and clearances for exploration personnel are now in place and the gravity survey will commence in late January 2013. Confirmation of the Peeweena Dam gravity anomaly would be a highly significant result and justify a follow-up deep drilling program to test the anomaly for iron oxide, copper, gold +/- uranium (IOCGU) mineralisation.

Subsequent to the end of the half year under review the Company was advised that processing of the data from the new survey indicates that no significant gravity anomaly is present at Peeweena Dam and that the data point in the earlier survey was erroneous. The Company, in conjunction with joint venture partner Maximus Resources (ASX:MXR), will now focus future exploration efforts on remaining prospects within the Billa Kalina Project area.

The Billa Kalina Project is strategically located 70km north-north-west of the Olympic Dam copper-gold-uranium (IOCGU) mine, and 45km east of the more recent discovery and mine development at Prominent Hill, South Australia. The project area is situated within the recently defined Amber Zone of the larger Woomera Prohibited Area (WPA). ERO is exploring for IOCGU deposits in the deeper basements rocks.

At the 100% owned Padthaway project in south-eastern South Australia the Company has continued its previously outlined intention of seeking a joint venture partner to help advance exploration of its extensive tenement holding at the Padthaway Project. This area is considered to be prospective for heavy mineral sands similar to the recent mine development, by Iluka Resources, at Jacinth/Ambrosia to the west of Ceduna SA. Discussions are continuing, and the Company is hopeful that these discussions will result in the establishment of a formal joint venture over the significant tenement package.

Similarly at the 100% owned Wertaloona lithium project in the Lake Frome region of central-eastern SA the Company has been approached by a third party interested in establishing a joint venture over the Wertaloona lithium project. A Confidentiality Agreement is now in place and a detailed data review and joint venture discussions will be conducted during February 2013.

In the Northern Territory where the Company hold multiple tenement areas as part of our Tanami gold/uranium exploration portfolio, we are still awaiting notification from the Central Land Council (CLC) of the exact timing for first meetings with Traditional Owners over the majority of project areas within the portfolio. It is still anticipated that these meetings will commence early 2013, following the end of the northern wet season. Access to the Highland Rocks project would 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 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 is continuing to source an appropriate joint venture partner at the Supplejack project. The project area is the first in the Tanami where the 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.

Whilst negotiations are continuing, in order to identify joint venture partners for the Company's lithium and mineral sands projects, the Board have decided to impair the full carrying value of these assets as a matter of prudence.

Matters subsequent to the end of the financial half-year

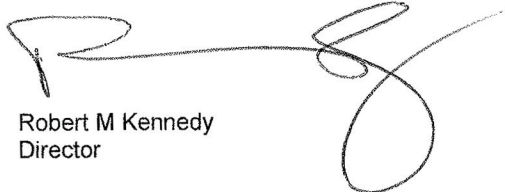
There has not arisen in the interval between 31 December 2012 and the date of this report any item, transaction or event which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 December 2012 has been received and can be found on page 3.

Dated at Adelaide this 13th day of March 2013 and signed in accordance with a resolution of the Directors.

Robert M Kennedy
Director



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.granthornton.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 review of ERO Mining Limited for the half-year ended 31 December 2012, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



S J Gray
Partner

Adelaide, 13 March 2013

ERO MINING LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated	
	Dec 2012	Dec 2011
	\$	\$
Revenue	95,420	3,492
Changes in inventories	-	(385)
Administration expenses	(297,636)	(187,834)
Exploration expenditure	(70,749)	-
Impairment of exploration assets	(4,415,912)	(125,770)
Other expenses	-	(249,100)
Loss before income tax	<u>(4,688,877)</u>	<u>(559,597)</u>
Income tax expense	-	(1,088)
Loss from continuing operations	<u>(4,688,877)</u>	<u>(560,685)</u>
Other comprehensive income		
Total comprehensive loss for the half-year	<u><u>(4,688,877)</u></u>	<u><u>(560,685)</u></u>
Total comprehensive income attributable to:		
Members of the parent entity	<u>(4,688,877)</u>	<u>(560,685)</u>
	<u><u>(4,688,877)</u></u>	<u><u>(560,685)</u></u>
Earnings per share	Cents	Cents
Basic earnings per share (cents)	(0.75)	(1.57)
Diluted earnings per share (cents)	(0.75)	(1.57)

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 31 DECEMBER 2012

	Note	Consolidated	
		Dec 2012	Jun 2012
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		758,191	1,224,895
Trade and other receivables		78,427	16,665
Other assets		19,845	7,972
TOTAL CURRENT ASSETS		856,463	1,249,532
NON-CURRENT ASSETS			
Property, plant and equipment		2,192	2,500
Exploration Assets		2,687,716	7,028,896
TOTAL NON-CURRENT ASSETS		2,689,908	7,031,396
TOTAL ASSETS		3,546,371	8,280,928
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		54,736	115,662
Provisions		1,689	3,483
TOTAL CURRENT LIABILITIES		56,425	119,145
TOTAL LIABILITIES		56,425	119,145
NET ASSETS		3,489,946	8,161,783
EQUITY			
Issued capital	2	32,344,411	32,327,371
Reserves	6(b)	983,478	983,478
Retained earnings	6(c)	(29,837,943)	(25,149,066)
TOTAL EQUITY		3,489,946	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 HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Issued Capital	Retained Losses	Option Reserve	Total
		\$	\$	\$	\$
Consolidated					
Balance at 1 July 2011		30,688,343	(24,266,311)	983,478	7,405,510
Loss for the period		-	(560,685)	-	(560,685)
Shares issued during the period	2(b)	319,089	-	-	319,089
Transaction costs	2(b)	(2,538)	-	-	(2,538)
Balance at 31 December 2011		<u>31,004,894</u>	<u>(24,826,996)</u>	<u>983,478</u>	<u>7,161,376</u>
Balance at 1 July 2012		32,327,371	(25,149,066)	983,478	8,161,783
Loss for the period	6(c)	-	(4,688,877)	-	(4,688,877)
Shares issued during the period	2(b)	17,040	-	-	17,040
Transaction costs		-	-	-	-
Balance at 31 December 2012		<u>32,344,411</u>	<u>(29,837,943)</u>	<u>983,478</u>	<u>3,489,946</u>

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 HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated	
		Dec 2012	Dec 2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	216
Interest received		21,706	3,027
Payments to suppliers and employees		(330,711)	(306,226)
Net cash provided used in operating activities		<u>(309,005)</u>	<u>(302,983)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	98,817
Proceeds from disposal of subsidiary		-	200,000
Payment for exploration activities		(141,902)	(156,536)
Purchase of property, plant and equipment		-	(43,256)
Net cash (used in)/provided by investing activities		<u>(141,902)</u>	<u>99,025</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	319,857
Payments for capital raising costs		(15,796)	(3,626)
Net cash (used in)/provided by financing activities		<u>(15,796)</u>	<u>316,231</u>
Net (decrease)/increase in cash held		(466,703)	112,273
Cash and cash equivalents at beginning of financial year		1,224,895	119,135
Cash and cash equivalents at end of financial year		<u>758,191</u>	<u>231,408</u>

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

ERO MINING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Note 1 Basis of preparation of the half-year report

The consolidated financial report for the half-year period ended 31 December 2012 has been prepared in accordance with Accounting Standard 134 Interim Financial Reporting and the Corporations Act 2001. The half year report is for the consolidated entity consisting of ERO Mining Limited and its subsidiaries.

The consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The annual financial report of the Group for the year ended 30 June 2012 is available upon request from the Company's registered office at Level 3, 100 Pirie Street, Adelaide SA 5000 or the Company's website: www.eromining.com.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period.

Amendments to AASB 134 Interim Financial Reporting

The amendments clarified certain disclosures relating to events and transactions that are significant to an understanding of changes in the Group's circumstances since the last annual financial statements. The Group's interim financial statements as of 31 December 2012 reflect these amended disclosure requirements, where applicable.

New and revised accounting standards applicable for the first time to the current half-year reporting period

The Group has adopted all new and revised Australian Accounting Standards and Interpretations that became effective for the first time and are relevant to the Group, including:

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* which requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable 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's 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's presentation of its half-year financial statements.

These financial statements were authorised for issue by the Board of Directors on 13 March 2013.

Note 2 Issued Capital

(a) **Share Capital**

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
629,227,041 (30 June 2012: 625,819,041) fully paid ordinary shares	32,344,411	32,327,371
	32,344,411	32,327,371

(b) **Movements in ordinary share capital:**

Date	Details	No.	Issue Price \$	\$
01/07/2011	Opening balance	348,298,731		30,688,343
	Placements proceeds received	11,818,146	0.027	319,089
31/12/2011	Less: transaction costs arising on share issue (net of tax)			(2,538)
	Closing balance	360,116,877		31,004,894
01/07/2012	Opening balance	625,819,041		32,327,371
04/07/2012	Shortfall under rights issue	3,408,000	0.005	17,040
31/12/2012	Closing balance	629,227,041		32,344,411

Note 3 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. The Company is in the process of responding to Revenue SA enquiries. No determination has yet to be made as to whether there is any further liability.

ERO MINING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Note 4 Operating Segments

(a) **Description of segments**

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of geographical area of interest, as the diversification of the Group's operations inherently have 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 and geological styles; and
- external regulatory requirements.

Basis of accounting for purposes of reporting by operating segments

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.

(a) **Business segments**

	Mineral Sands & Lithium Projects	Abminga Gold	Billa Kalina Uranium	All Other Segments	Total
31 December 2012	\$		\$	\$	\$
Adjusted earnings before interest, tax, depreciation and amortisation	(4,409,946)	-	-	(5,966)	(4,415,912)
Cost of goods sold	-	-	-	-	-
Impairment	(4,409,946)	-	-	(5,966)	(4,415,912)
Segment assets for the period ending 31 December 2012	-	5,003	2,409,614	273,099	2,687,716
Segment asset movements for the half year:					
Capital expenditure	2,370	5,003	21,798	45,561	74,732
Capital expenditure impaired	(4,409,946)	-	-	(5,966)	(4,415,912)
Total movement for the year	(4,407,576)	5,003	21,798	39,595	(4,341,180)
Segment assets					2,687,716
Unallocated assets					858,655
Total assets					3,546,371
Segment liabilities					-
Unallocated liabilities					56,425
Total liabilities					56,425
	Mineral Sands & Lithium Projects	Abminga Gold	Billa Kalina Uranium	All Other Segments	Total
31 December 2011	\$		\$	\$	\$
Adjusted earnings before interest, tax, depreciation	-	(7,948)	-	(118,207)	(126,155)
Cost of goods sold	-	-	-	(385)	(385)
Impairment	-	(7,948)	-	(117,822)	(125,770)
Segment assets for the year ended 30 June 2012	4,407,576	-	2,387,816	233,504	7,028,896
Segment asset movements for the year:					
Capital expenditure	42,611	10,969	5,076	168,413	227,069
Capital expenditure impaired	-	(10,969)	-	(128,309)	(139,278)
Total movement for the year	42,611	-	5,076	40,104	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

ERO MINING LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

(b) **Adjusted EBITDA**

	Half year ended	
	31 December 2012	31 December 2011
	\$	\$
Adjusted EBITDA		
Allocated adjusted EBITDA	(4,415,912)	(126,155)
Unallocated		
Interest revenue	22,081	2,827
Other revenue	73,339	665
Administrative expenses	(297,636)	(187,834)
General exploration written off	(70,749)	-
Loss on disposal property, plant and equipment	-	(77,436)
Loss on disposal of subsidiary	-	(171,664)
Profit before income tax	<u>(4,688,877)</u>	<u>(559,597)</u>

Note 5 Events After the Reporting Period

No item, transaction or event has not arisen in the interval between 31 December 2012 and the date of this report which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Note 6 Reserves & Retained Losses

(a) **Share based payments**

The share based payments reserve records items recognised as expenses on valuation of employee share options and options issued to external

(b) **Analysis of Each Class of Reserves**

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Share based payments	983,478	983,478
Movements during the year:		
Balance at beginning of period	983,478	983,478
Options issued during the year	-	-
Shares issued pursuant to a Service Agreement	-	-
Balance at end of period	<u>983,478</u>	<u>983,478</u>
(c) Retained losses		
Balance at beginning of period	(25,149,066)	(24,266,311)
Net profit/ (loss) for the period	(4,688,877)	(882,755)
Balance at end of period	<u>(29,837,943)</u>	<u>(25,149,066)</u>

Note 7 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 \$4,688,877 for the half year (December 2011: \$560,685) and operations were funded by operating and investing activities of \$450,907.

The Group is currently meeting minimum cash commitments and the Group is actively seeking joint venture partners to achieve a minimum cash outlay. Expenditure will increase in the event that positive exploration results are received; in this event, the Group will seek to raise capital based on positive exploration results.

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 report.

Note 8 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:

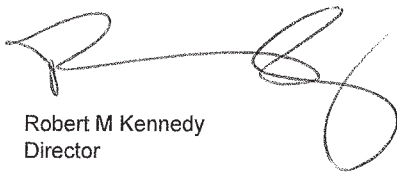
ERO Mining Limited
Level 3
100 Pirie Street
Adelaide SA 5000

**ERO MINING LIMITED
DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

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 as set out on pages 4 to 10 are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the financial position as at 31 December 2012 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;

Signed in accordance with a resolution of the directors.



Robert M Kennedy
Director

Adelaide
13 March 2013

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

We have reviewed the accompanying half-year financial report of ERO Mining Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of ERO Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the ERO Mining Limited consolidated entity’s financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ERO Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ERO Mining Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 7 in the financial report which indicates that the consolidated entity's incurred a net loss of \$4,688,877 for the half year 31 December 2012 and cash used in operating and investing activities of \$450,907. These conditions, along with other matters as set forth in Note 7, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the 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 half year financial report.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants



S J Gray
Partner

Adelaide, 13 March 2013