

QUARTERLY REPORT

Period ending 30 September 2011



HIGHLIGHTS



- *Drilling testing for mineral sands underway at the Padthaway Project SA in joint venture with Iluka Resources.*
- *Excellent progress made to allow access to the Peeweena Dam Prospect (IOCGU) near Olympic Dam SA.*
- *Geochemical anomaly discovered at Talbot North- Tanami NT.*

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

During the Quarter ERO Mining Limited (ERO) announced that it had entered into an agreement to farm-out an interest in tenements (Figure 1) held by ERO's wholly owned subsidiary, South East Energy to Iluka Resources Limited to explore for heavy mineral sands (HMS).

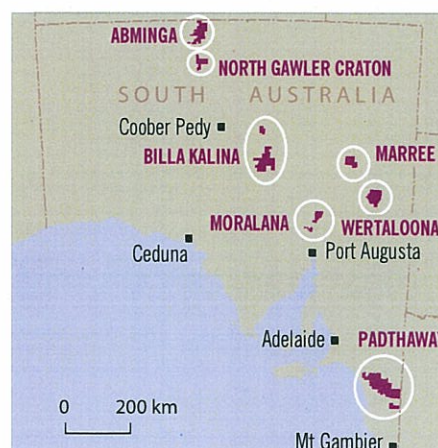


Figure 1 Location of ERO Mining's South Australian projects.

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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.

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.

Approval to commence heavy mineral sands exploration drilling has been received from PIRSA under a PEPR (Program for Environmental Protection and Rehabilitation). Air-core drilling has commenced along one of two planned east west traverses on EL4041 and EL4043. Drilling to date has consisted of 47 holes for an advance of 957m. The first phase of drilling is expected to be completed by the end of the year.

BILLA KALINA PROJECT

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 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 (Figure 2). ERO is exploring for IOCGU deposits in the deeper basements 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 has made excellent progress in working its way through this process and is hopeful that the Deed will be signed by the relevant parties by mid-November 2011.

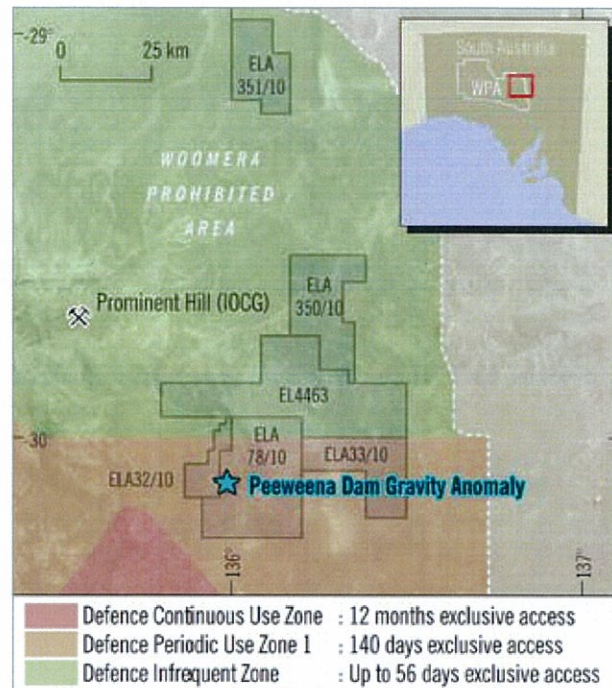


Figure 2 Location of Peeweena Dam Gravity Anomaly and IOCGU mines in relation to the Indicative Zoning of the Woomera Prohibited Area, May 2011.

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 (7x7km) survey completed in the 1970's. Confirmation of the gravity anomaly would support drill testing for IOCGU mineralization similar to Olympic Dam, Prominent Hill and Carrapateena.

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 project 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, (Figure 3) in the Northern Territory, has become Australia's premier Proterozoic Gold Province, with virtually all discoveries made since the mid 1980's. 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.

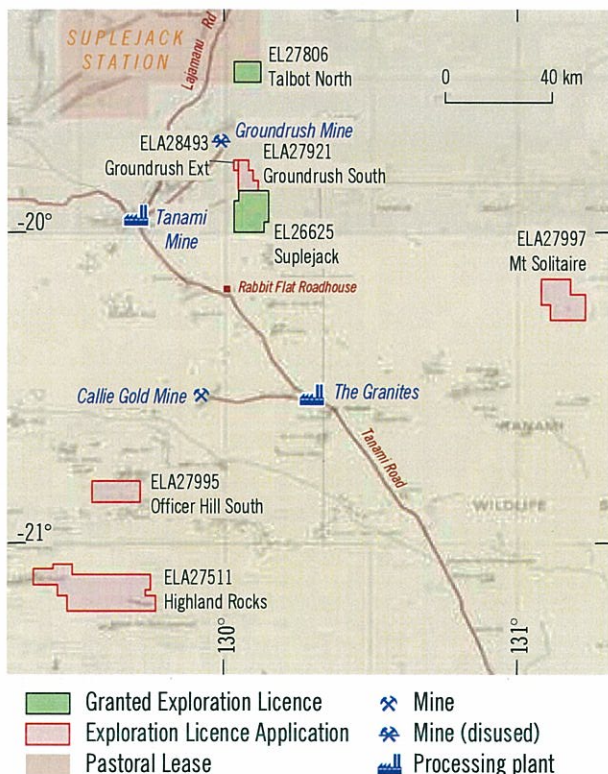


Figure 3 Location of Tanami Exploration Initiative licence areas.

TALBOT NORTH

ERO Mining 100% in EL 27806

Assay results have been received from the recently completed surface geochemical sampling program. Samples of the brecciated and iron in-filled basal conglomerate of the Pargee Sandstone returned weakly anomalous amounts of gold, up to 10 ppb, but no significant values of REE's were returned. The anomalous gold results are probably due to the influence of a regional north-west /south east trending structure which transects the EL. In the north of the tenement, several significant arsenic values were returned, up to 206ppm. Arsenic is a significant pathfinder element to the discovery of gold systems in the Tanami.

The forward program for Talbot North is dependent upon the collection of airborne EM conductive data, in order to identify areas of carbon destruction which may indicate the location of gold bearing system.

GROUNDRUSH EXTENSION

ERO Mining 100% in ELA 28493

The Company has been given consent to negotiate an exploration and mining agreement over this prospective tenement. This tenement lies directly along strike from the high grade, Groundrush deposits, currently being developed by Tanami Gold. The company considers its tenement to be highly prospective as it occurs along the major Groundrush fault, where this fault intersects the north – south trending Suplejack Shear Zone. This intersection zone is likely to contain several suitable sites for the deposition of gold. The Company has forwarded an exploration and Mining proposal to the Traditional Owners for consideration.

SUPLEJACK

ERO 100% ion EL 26625

The forward program for Suplejack is dependent upon the collection of airborne EM conductive data, in order to identify areas of carbon destruction which may indicate the location of gold bearing system, along with areas of elevated conductive response which may indicate sites suitable for the development of uranium mineralization.

The Company continues to negotiate with both the Northern Territory Government and the Traditional Owners over future exploration access to the Mount Solitaire, Highland Rocks, Officer Hills South and Tanami West project areas.

GEORGETOWN GOLD OPERATIONS

ERO Mining 100%

During the quarter the Company continued to negotiate with parties interested in the purchase of ERO's alluvial gold mining assets near Georgetown in central northern Queensland. It is hoped that the sale of these properties can be completed by the end of calendar year 2011.

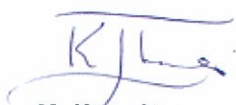
CORPORATE ACTIVITIES

During the September quarter the Managing Director, Mr Shane Gale, resigned from his position with the Company to focus on other business interests. The Company has now appointed Mr Kevin Lines as Chief Executive Officer to oversee ERO's operations and exploration. Kevin was the former Managing Director of ERO and is therefore very familiar with the Company's assets.

The primary focus of the Board, during the quarter, has been directed at strengthening the financial position of the Company. As a result, a wide range of measures have been undertaken to reduce administrative costs and release capital for exploration. The Board believes that these measures when combined with a positive exploration outlook will allow the Company to address its current financial position and continue to develop its gold, lithium and uranium exploration portfolio.

Finance

As at 30 September 2011, ERO Mining had available funds of \$0.137 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 \$0.396million.



Mr Kevin Lines

ACTING CHIEF EXECUTIVE OFFICER

30 October 2011

For further information please contact:

ERO Mining on 08 8132 7970, or

Investor relations:

Mr Duncan Gordon,

Executive Director, Adelaide Equity Partners
on 08 8232 8800 or 0404 006 444

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

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")

30 SEPTEMBER 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (3 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	(214)	(214)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	2
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other (provide details if material)		1
Net Operating Cash Flows		(396)	(396)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(1)	(1)
1.9	Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	99	99
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)		
		98	98
Net investing cash flows			
1.13	Total operating and investing cash flows (carried forward)	(298)	(298)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(298)	(298)
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	319	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)	(3)
	Net financing cash flows	316	316
	Net increase (decrease) in cash held	18	18
1.20	Cash at beginning of quarter/year to date	119	119
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	137	137

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	0
1.24	Aggregate amount of loans to the parties included in item 1.10	0

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	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	110
4.2 Development	
4.3 Production	
4.4 Administration	30
Total	140

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	137	119
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	137	119

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				
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

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 (description)				
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	11,818,146	11,818,146	2.7 cents	2.7 cents
7.5	+Convertible debt securities (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	86,824,029 196,250,000 228,000 50,000 313,000 441,666	86,824,029	Exercise price \$0.060 \$0.050 \$0.220 \$0.220 \$0.165 \$0.028	Expiry date 28/09/2012 31/10/2011 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				

+ See chapter 19 for defined terms.

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 does give a true and fair view of the matters disclosed.

Sign here:


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Company secretary

Date: 31 October 2011

Print name: Peter Kupniewski

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.

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