

**QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF
THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)**

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This announcement, for which the directors (the “Directors”) of ERA Mining Machinery Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading;*
- (2) there are no other matters the omission of which would make any statement in this announcement misleading; and*
- (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

RESULTS

The Directors announce the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months ended 31 March 2012, together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

		For the three months ended 31 March	
		2012	2011
	<i>Note</i>	(unaudited) HK\$'000	(unaudited) HK\$'000
Turnover	2	261,805	273,868
Cost of goods sold		(236,033)	(217,283)
		<hr/>	<hr/>
Gross profit		25,772	56,585
Other income		24,264	18,851
Selling and distribution costs		(24,183)	(19,518)
Administrative expenses		(37,975)	(28,583)
Other operating expenses		(125)	(166)
		<hr/>	<hr/>
(Loss)/profit from operations		(12,247)	27,169
Finance costs		(64,932)	(18,068)
Share of losses of jointly controlled entities		(416)	–
		<hr/>	<hr/>
(Loss)/profit before tax		(77,595)	9,101
Taxation credit/(charge)	3	3,665	(444)
		<hr/>	<hr/>
(Loss)/profit for the period attributable to the owners of the Company		(73,930)	8,657
Other comprehensive income			
Exchange differences on translating foreign operations		7,582	6,386
		<hr/>	<hr/>
Total comprehensive (loss)/income for the period attributable to the owners of the Company		(66,348)	15,043
		<hr/> <hr/>	<hr/> <hr/>
		HK cents	HK cents
(Loss)/earnings per share			
– basic	4	(1.30)	0.15
		<hr/> <hr/>	<hr/> <hr/>
– diluted		(1.27)	0.15
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Basis of preparation

The unaudited consolidated results have been prepared in accordance with all applicable accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong and accounting principles generally accepted in Hong Kong.

The accounting policies adopted in preparing the unaudited consolidated results for the period under review are consistent with those followed in the Company’s annual financial statements for the year ended 31 December 2011. The consolidated results for the three months ended 31 March 2012 are unaudited and have been reviewed by the audit committee of the Company.

The Group has not applied the new standards, amendments or interpretations which have been issued but are not yet effective. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a material impact on its results of operations and financial positions.

2. Turnover

Turnover which represents sales of mining machineries, related spare parts and consultancy services income for the three months ended 31 March 2011 and 2012 are as follows:

	For the three months ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	HK\$’000	HK\$’000
Sales of mining machineries	246,554	253,570
Sales of spare parts	15,251	20,069
Consultancy services income	–	229
	<hr/>	<hr/>
	261,805	273,868
	<hr/> <hr/>	<hr/> <hr/>

3. Taxation credit/(charge)

No provision for Hong Kong Profits Tax has been made for the periods as the Group did not generate any assessable profits arising in Hong Kong during the periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary, Zhengzhou Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd. (“Zhengzhou Siwei”), is 25% from 1 January 2008 onwards.

According to the new EIT law, entities that qualify as “High and New Technology Enterprises” are entitled to the preferential EIT rate of 15%. Zhengzhou Siwei received approval for the status as a “High and New Technology Enterprises”. The status is valid for three years starting from January 2008. On 28 October 2011 Zhengzhou Siwei has renewed the status which will be valid for the next three years. Zhengzhou Siwei is located in Zhengzhou High and New Technology Industries Development Zone, and was entitled to a PRC income tax rate of 15%.

4. (Loss)/earnings per share

The calculation of the basic and diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	For the three months ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share		
((loss)/profit for the period)	<u>(73,930)</u>	<u>8,657</u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	<u>5,688,274</u>	<u>5,680,046</u>
Effect of share options	<u>115,236</u>	<u>10,440</u>
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>5,803,510</u>	<u>5,690,486</u>

The denominators used are the same as those detailed above for both basic and diluted (loss)/earnings per share.

5. Movements in reserves

Movements in reserves during the periods are as follows:

	(Unaudited)						Total equity <i>HK\$'000</i>
	Attributable to owners of the Company						
	Issued equity <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	
At 1 January 2012	847,365	45,372	72,215	9,216	69,395	256,647	1,300,210
Loss for the period	-	-	-	-	7,582	(73,930)	(66,348)
Recognition of share-based payments	-	-	-	5,890	-	-	5,890
At 31 March 2012	<u>847,365</u>	<u>45,372</u>	<u>72,215</u>	<u>15,106</u>	<u>76,977</u>	<u>182,717</u>	<u>1,239,752</u>

	(Unaudited)						Total equity <i>HK\$'000</i>
	Attributable to owners of the Company						
	Issued equity <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>	
At 1 January 2011	846,632	-	60,782	32,578	282,333	1,222,325	
Profit for the period	-	-	-	6,386	8,657	15,043	
Issue of shares	182	7,098	-	-	-	7,280	
Conversion of convertible bonds	499	37,591	-	-	-	38,090	
At 31 March 2011	<u>847,313</u>	<u>44,689</u>	<u>60,782</u>	<u>38,964</u>	<u>290,990</u>	<u>1,282,738</u>	

6. Comparative figures

Comparative figures have been adjusted to conform to current period's presentation.

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 31 March 2012 (three months ended 31 March 2011 (restated): Nil).

CHAIRMAN'S STATEMENT

To Stakeholders:

On behalf of the Board of Directors and management of ERA, we thank you for the opportunity to share with you ERA's results from the first quarter of 2012.

Significant year-on-year changes were:

Q1 2012 revenues decreased 4.4% in comparison with Q1 2011. Q1 is typically the Company's slowest season for deliveries however, despite a slight softening in the coal mining machinery market, management does not believe the lower turnover reflected a downturn in demand for the Company's products; the Company's order backlog at the end of March 2012, at approximately HK\$1.6 billion, was 33% higher than the HK\$1.2 billion order backlog as of 31 March 2011.

Year on year decreases in gross margin reflect higher materials costs due to continued indirect steel purchasing arrangements and inefficiencies resulting from final physical consolidation activities in the new Guangwu plant in Zhengzhou.

Increases in financing costs in comparison with Q1 2011 primarily reflect the Company's substantial increases in short-term borrowings during 2011.

On April 17 2012, Caterpillar (Luxembourg) Investment Co. S.A. (the "Offeror") received the approval from China's Ministry of Commerce to proceed with its acquisition of ERA, and the composite document jointly issued by Caterpillar Inc., the Offeror and ERA was despatched to shareholders on 30 April 2012.

The offers are currently open for acceptance until 21 May 2012, unless the Offeror extends the offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code).

Substantial effort and progress have been made by ERA and Caterpillar to ensure a smooth launch of the offers for ERA's shareholders and optionholders, and ERA's Board of Directors continues to be enthusiastic about the opportunities inherent in the transaction for both companies and their stakeholders.

On behalf of our Board and management team I sincerely thank the many employees, customers, shareholders and friends in China's government and industry who continue to support us, and hope you look forward, as we do, to the next chapter in our relationship with Caterpillar.

Respectfully,
Emory Williams
Chairman

11 May 2012

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Products

At present, the sole products of the Group's principal subsidiary, Zhengzhou Siwei Mechanical & Electrical Equipment Manufacturing Co., Ltd ("Zhengzhou Siwei") are hydraulic roof supports ("shields") and related equipments for the underground coal mining industry. Zhengzhou Siwei designs and manufactures a full range of shields ranging from 0.8 m to 7.3 m in height and from 1,800 KN to 18,000 KN in terms of working resistance. All shields delivered are custom manufactured to the mining requirements of each customer.

Market Overview

China's increasing demand for highly mechanized coal mining equipment has been driven principally by two factors, China's increasing demand for electricity and government policies directed at improving the safety and efficiency of Chinese mining. These government policies are reflected in the growing consolidation of the small and medium sized coal mines and the mandating of increasingly rigorous safety measures. While growth of new mines may slow during China's 12th Five Year Plan, management expects intensified comprehensive mechanization in China's existing and newly consolidated mines. The management expects these factors to continue to result in continued strong short and mid-term growth for China's mining machinery market.

Prospects

Indicators point to continued strong economic growth in China. Continued initiatives by China's central government strengthening policies aimed at improving mine safety, efficiency and mitigating environmental impact, requiring mine mechanization and further consolidation of small and medium sized coal mines also bode well for the coal mining industry.

Financial Review

Turnover

China's tightening credit policy and an increasingly challenging operating environment resulted in a slowing turnover growth. For the three months ended 31 March 2012, the Group recorded a turnover of approximately HK\$261.8 million, represents a slight decrease of 4.4% when compared to the same period last year due to keen competition.

The Group's sales are typically highly seasonal, with a majority of turnover occurring in the second half of the year.

Cost of Sales

For the three months ended 31 March 2012, cost of sales was approximately HK\$236.0 million or 90.2% of turnover compared to HK\$217.3 million and 79.3% of turnover in the same period in 2011. Steel represented approximately 80% of the cost of sales for the three months ended 31 March 2012, which is consistent with 2011. Steel costs as a percentage of sales grew and are believed to be higher as a percentage of sales than our leading state-owned competitors principally due to two factors: 9% higher steel prices and a high percentage of our steel purchases being purchased indirectly through agents of steel companies (who provide more favorable payment terms) instead of directly from the steel mills.

Gross Profit and Gross Margin

The Group's gross profit for the three months ended 31 March 2012 was HK\$25.8 million, 54.5% lower in comparison to the same period last year. Gross profit margin decreased to 9.8% from 20.7% in the prior year same period, with margin decreases primarily attributable to increases in material costs which we were unable to pass on to our customers in a competitive environment.

Selling and Distribution Costs

For the three months ended 31 March 2012, the Group incurred selling and distribution costs of approximately HK\$24.2 million, an increase of approximately HK\$4.7 million or 23.9% when compared to the same period last year. Increase were primarily attributable to increases in rates for freight and transportation.

Administrative Expenses

For the three months ended 31 March 2012, the Group incurred administrative expenses of approximately HK\$38.0 million, an increase of approximately HK\$9.4 million or 32.9% when compared to the same period last year. The increase in administrative expenses was principally due to additional salary and benefits and research and development costs.

Finance Costs

For the three months ended 31 March 2012, the Group incurred finance costs of approximately HK\$64.9 million, an increase of approximately HK\$46.9 million or 259.4% when compared to the same period last year. Additional finance costs incurred for the current reporting period represent charges on new short term borrowings (for working capital and capacity expansion) and interests on bills.

Net Loss Attributable to Owners of the Company

For the three months ended 31 March 2012, the Group's net loss attributable to owners of the Company was approximately HK\$73.9 million.

(LBITDA)/EBITDA

Given the Group's increased financial costs due to continued growth in fixed assets and working capital needs, the management team believes LBITDA (a non HKFRS accounting standard metric comprised of net loss before income tax, net finance costs, depreciation and amortization) or EBITDA (a non HKFRS accounting standard metric comprised of net profit before income tax, net finance costs, depreciation and amortization) is a good metric for assessing at the Group's results.

	For the three months ended 31 March		
	2012	2011	Variance in
	(unaudited)	(unaudited)	%
	HK\$'000	HK\$'000	
(Loss)/profit before tax	(77,595)	9,101	N/A
Depreciation & amortization	14,210	6,511	118.2
Net finance costs	60,594	15,984	279.1
	<hr/>	<hr/>	
(LBITDA)/EBITDA	<u>(2,791)</u>	<u>31,596</u>	N/A

Due to substantial increase in short term borrowings, when compared to the same period last year, a significant higher amount of finance costs incurred during the first quarter of 2012.

Liquidity and Financial Resources

Borrowings and banking facilities

As of 31 March 2012, the Company had bank loans, finance lease payables and a amount due to a third party (the "Third Party Loan") of approximately HK\$1,223,610,000, HK\$29,474,000 and HK\$385,000,000 respectively.

Pledge of shares by controlling shareholder

The Third Party Loan is secured by 1,538,464,000 shares held by Mining Machinery Ltd., being the controlling shareholder of the Company, and subject to a US\$10 million personal guarantee to be jointly and severally provided by the directors of the Company, Mr. Emory Williams and Mr. Li Rubo. The loan has a 12 month term and at an interest rate of 8% per annum payable semi-annually. The interest rate steps up to 15% of the loan after 120 days upon it becomes callable by the third party or if there is a payment default.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests of the Directors and the chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO) and/or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which had to be notified to the Company and the Exchange pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

Interests in shares of the Company

Name of Directors	Capacity	Number and class of shares held	Approximate percentage of issued share capital
Mr. Emory Williams	Corporate Interest (Note 1)	2,667,597,312 ordinary shares (long position)	46.90%
Mr. Lee Jong Dae	Corporate Interest (Note 2)	20,000,000 ordinary shares (long position)	0.35%
Mr. Christopher John Parker	Corporate Interest (Note 3)	56,028,000 ordinary shares (long position)	0.97%

Notes:

- 2,617,507,028 Shares (representing approximately 46.05% of the issued share capital of the Company) ultimately beneficially owned by the Controlling Shareholders are held through Mining Machinery Ltd., which in turn is owned by Mr. Emory Williams as to 32.66% and Mr. James Edward Thompson III as to 67.34%. 20,500,000 Shares (representing approximately 0.36% of the issued share capital of the Company) ultimately beneficially owned by Mr. Emory Williams are owned by and registered in the name of Power Castle Development Limited, which in turn is wholly owned by Mr. Emory Williams. 10,988,000 Shares (representing approximately 0.19% of the issued share capital of the Company) ultimately beneficially owned by Mr. Emory Williams are held through a third party broker. Mr. Emory Williams directly beneficially owns 3,200,000 Shares (representing approximately 0.06% of the issued share capital of the Company). 15,402,284 shares are held by Madam Liu Jie, spouse of Mr. Emory Williams.

2. The 20,000,000 Shares ultimately beneficially owned by Mr. Lee Jong Dae are held through Wah Hong Investment Limited, which in turn is indirectly wholly owned by Mr. Lee Jong Dae.
3. The 56,028,000 Shares ultimately beneficially owned by Mr. Christopher John Parker are held through Clydesdale International Ltd. which in turn is wholly owned by Mr. Christopher John Parker.

Long positions in underlying shares of equity derivatives of the Company

Name of Directors	Capacity	Description of equity derivatives (number and class of underlying shares)	Approximate percentage of issued share capital
Mr. Li Rubo	Beneficial owner	share options to subscribe for shares (3,200,000 ordinary shares) <i>(Note)</i>	0.06%
Dr. Phil Qiu Jin	Beneficial owner	share options to subscribe for shares (51,839,743 ordinary shares) <i>(Note)</i>	0.91%
Mr. Lee Jong Dae	Beneficial owner	share options to subscribe for shares (55,639,743 ordinary shares) <i>(Note)</i>	0.98%
Mr. David Marc Boulanger	Beneficial owner	share options to subscribe for shares (1,000,000 ordinary shares) <i>(Note)</i>	0.02%
Mr. Christopher John Parker	Beneficial owner	share options to subscribe for shares (1,000,000 ordinary shares) <i>(Note)</i>	0.02%
Mr. Chan Sze Hon	Beneficial owner	share options to subscribe for shares (600,000 ordinary shares) <i>(Note)</i>	0.01%

Note: The aforesaid share options are classified as “long position” under the SFO. For details of the share options granted, please refer to the section headed “Share Option Scheme” below.

Save as disclosed above, as at 31 March 2012, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Exchange.

SHARE OPTION SCHEME

The following table discloses details of options outstanding under the Company's share option scheme (the "Share Option Scheme") adopted by the Company on 14 July 2011.

Name of grantee	Option type	Number of shares options			Outstanding as at 31 March 2012	
		Outstanding as at 1 January 2012	Exercised	Granted		Lapsed
Directors						
Mr. Li Rubo	A	3,200,000	-	-	-	3,200,000
Mr. Lee Jong Dae	A	3,800,000	-	-	-	3,800,000
	B	51,839,743	-	-	-	51,839,743
Dr. Phil Qiu Jin	B	51,839,743	-	-	-	51,839,743
Mr. David Marc Boulanger	B	1,000,000	-	-	-	1,000,000
Mr. Christopher John Parker	B	1,000,000	-	-	-	1,000,000
Mr. Chan Sze Hon	A	300,000	-	-	-	300,000
	B	300,000	-	-	-	300,000
		<u>113,279,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,279,486</u>
Employees in aggregate	A	2,000,000	-	-	-	2,000,000
	B	178,219,233	-	-	-	178,219,233
Advisors and Consultants	A	5,300,000	-	-	-	5,300,000
Total		<u>298,798,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,798,719</u>

Option type	Date of grant	Exercisable period	Exercise price HK\$
A	10 July 2008	10 July 2009-9 July 2013	0.4
B	12 August 2011	12 August 2012-11 August 2018	0.5

Details of the Share Option Scheme are set out in the Company's 2011 annual report.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, so far as known to the Directors, the following persons (not being a Director or a chief executive of the Company) had an interest and/or a short position in the shares and/or underlying shares of the Company which would need to be disclosed to the Company and the Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name of substantial shareholder	Capacity	Number and class of shares held	Approximate percentage of issued share capital
Mining Machinery Ltd.	Beneficial owner	2,617,507,028 ordinary shares (long position) (Note)	46.05%

Note: Mr. Emory Williams and Mr. James Edward Thompson III have 32.66% and 67.34% equity interests, respectively, in Mining Machinery Ltd. Mr. Emory Williams is the chairman and an executive Director of the Company.

Save as disclosed above, as at 31 March 2012, there was no person who had an interest and/or a short position in the shares and/or underlying shares of the Company which would need to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO and/or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group, or any options in respect of such capital.

PURCHASE, REDEMPTION AND SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period under review.

COMPETING INTEREST

As at 31 March 2012, the Directors are not aware of any business or interest of each Director, initial management shareholder and their respective associates (as defined in the GEM Listing Rules) that they believe competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

As required by the GEM Listing Rules, the Company has established an audit committee (the "Audit Committee") with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Audit Committee comprises independent non-executive Directors, Mr. Chan Sze Hon, Mr. David Marc Boulanger and Dong Xiangge. The Group's unaudited results for the three months ended 31 March 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

By Order of the Board
ERA Mining Machinery Limited
Emory Williams
Chairman

Hong Kong, 11 May 2012

As at the date of this announcement, the Board comprises nine directors, of which Mr. Emory WILLIAMS, Mr. LEE Jong-Dae, Mr. LI Rubo and Mr. WANG Fu are the executive directors; Dr. Phil Qiu JIN and Mr. PARKER Christopher John are non-executive directors; Mr. BOULANGER David Marc, Mr. CHAN Sze Hon and Mr. DONG Xiangge are the independent non-executive directors.

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