



7 December 2015

ASX Release

Unity Mining Limited
ABN 61 005 674 073

Agreement for PYBAR Group to acquire Unity Mining for total consideration to Unity shareholders of 2.9 cents per share

Corporate Details:

ASX Code: UML

Issued capital:

1,143M Ordinary Shares
2.34M Unlisted Perf. Rights
43.2M Unlisted Options

Substantial Shareholders:

Diversified Minerals Pty Ltd
159.1M (13.69%)

Directors:

Non-Executive Chairman:
Clive Jones

Acting Managing Director:
Frank Terranova

Non-Executive Director:
Gary Davison

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Summary

- Unity Mining Limited ("Unity" or the "Company") and Diversified Minerals Pty Ltd ("Diversified Minerals"), an associate of the PYBAR Group, have executed a Scheme Implementation Agreement ("SIA") to effect the acquisition of 100% of the issued shares of Unity by Diversified Minerals under a Scheme of Arrangement in conjunction with a contemporaneous capital return to Unity shareholders (the "Transaction").
- Diversified Minerals is currently the largest holder of Unity shares (13.69%) and Diversified Minerals has offered to acquire all of the Unity shares on issue not already owned by Diversified Minerals under the Transaction. Total consideration to be received by Unity shareholders will be 2.9 cents per share comprising 1.0 cents per share to be received through an equal capital reduction and 1.9 cents per share to be received as scheme consideration from Diversified Minerals ("Total Consideration").
- The Total Consideration represents a 45% premium to last close on 4 December 2015 and a 128% premium to the 12 month volume weighted average price, and implies an equity value for Unity of approximately A\$33.2 million.
- Execution of the SIA and announcement of the Transaction follows the detailed strategic review which has been undertaken by the Company to explore all options to maximise shareholder value.
- The Unity Board unanimously recommends that all Unity shareholders vote in favour of the Transaction in the absence of a superior proposal and subject to an Independent Expert concluding that the Transaction is in the best interests of shareholders.

Overview of the Transaction

Under the Transaction, Unity shareholders will receive:

- a) 1.0 cents per share by way of an equal capital reduction to be approved by a majority of votes cast by Unity shareholders at a special general meeting (the "Capital Return"); and
- b) 1.9 cents per share as scheme consideration from Diversified Minerals to be approved at a meeting of Unity shareholders to be convened by a court in accordance with Chapter 5 of the Corporations Act and requiring approval from both 75% or more of the votes cast and 50% or more of the Unity shareholders present in person or by proxy at the meeting (the "Scheme of Arrangement").

The Capital Return and Scheme of Arrangement will be inter-conditional and it is anticipated that the shareholder meetings will be held on the same day.

A ruling from the Australian Taxation Office will be obtained in respect of the Capital Return and Unity expects that all of the Capital Return will be treated as capital in the hands of Unity shareholders.

The Transaction is subject to limited conditions, including:

- Unity shareholder approvals as described above, noting that Diversified Minerals and its related entities will be excluded from voting on the Scheme of Arrangement;
- An Independent Expert concluding that the Transaction is in the best interests of Unity shareholders;
- Unity having sufficient net cash to implement the Capital Return; and
- Other customary conditions for transactions of this nature.

Unity notes that the Transaction will proceed irrespective of the status of the sale of the Bendigo Assets to GBM Gold Ltd.

The Transaction is not subject to any financing, due diligence or regulatory approvals (other than those associated with implementing the Scheme of Arrangement).

Full details of the conditions precedent to the Transaction are set out in the SIA which had been lodged by Unity on ASX simultaneously with this announcement.

Background for the Transaction

Throughout the second half of calendar 2015, the Board of Unity had initiated an internal assessment of its strategy in light of the decisions for the Henty Gold Mine to cease production in late 2015 and to not proceed with the application to enable cyanide processing at the Dargues Gold Project.

These activities were reinforced on 13 October 2015, when Unity announced that it was conducting a full strategic review to examine all options to maximise shareholder value, having received approaches from a number of parties expressing interest in various asset transactions and other strategic initiatives.

Since that time, Unity management and its advisers have actively progressed discussions with a number of parties, including Diversified Minerals, on a range of potential transactions. These have included potential change of control proposals and asset level initiatives (including the arrangement for processing of Dargues concentrate at Westlime's facility at Parkes, announced on 2 December 2015).

Having considered all available options, including the potential for Unity to continue to progress the Dargues Project as an independent entity, the Unity Board has concluded that the Transaction represents the nearest and most certain outcome for shareholders in that it offers value certainty at a significant premium to recent share prices. This represents a conclusion of the strategic review.

Background for the Transaction (continued)

The Total Consideration to be received under the Transaction represents a material premium to historical trading prices for Unity shares on ASX¹ of:

- 45.0% to the last closing price of 2.0 cents;
- 66.6% to the 1 month volume weighted average price up to 12 October 2015, the day prior to announcement of the strategic review;
- 128.1% to the 12 month volume weighted average price; and
- 15.8% to the highest Unity share price in the past 18 months.

Unity Mining Chairman, Clive Jones, said:

“The strategic review has enabled the Company to fully assess all available options and the Board has concluded that the Transaction is superior to all alternatives having regard to the certainty which the Transaction delivers to shareholders and the value which is being recognised for Unity’s assets over and above its underlying cash position.”

“Based on the proposed transaction timeline, over an approximate six month period Unity shareholders will have received a total of \$0.034 in cash back from the Company taking into account the capital return concluded in September 2015.”

“Underpinning the strategic review was the Board’s concern that capital markets remain challenging for the junior resource sector and Unity was entering into a period where revenue will have ceased and substantial capital would be needed going forward to fund its existing portfolio of assets.”

“The proposed Transaction removes exposure to development and funding risks for Unity shareholders regarding the Dargues Gold Project and the Henty Gold Project and provides Unity shareholders with an opportunity to realise value for their shares in the form of cash at a significant premium to trading over the last 18 months.”

“I look forward to shareholders supporting the Transaction.”

The Unity Board unanimously recommends the Transaction to Unity’s shareholders in the absence of a superior proposal and subject to an Independent Expert concluding that the Transaction is in the best interests of Unity shareholders. Each of the Unity Directors intend to vote all shares that they control in favour of the Transaction at the shareholder meetings.

Unity will commission an Independent Expert to determine whether, in its opinion, the Transaction is in the best interests of shareholders. The Independent Expert report, which will be supported by an independent technical specialist’s report, will be provided to Unity shareholders as part of the explanatory memorandum for the Scheme of Arrangement.

Acting Managing Director, Frank Terranova, added “Delivering an outcome that provides certainty and eliminates any contingent factors has been a core focus of our strategic review. We have continued to maintain a disciplined approach to our capital and progressed many initiatives, and this transaction sees value being returned to shareholders in absolute terms.”

¹ Based on share prices adjusted for the capital return in September 2015

Indicative Timetable

Subject to the availability of Australian Court hearing dates, it is anticipated that the Transaction will proceed according to the following timetable:

- Lodge the explanatory memorandum for the Scheme of Arrangement with ASIC – Late January 2016;
- First court hearing for the Scheme of Arrangement – Mid February 2016;
- Despatch explanatory memoranda - Late February 2016;
- Shareholder meetings – Late March 2016;
- Second court hearing for the Scheme of Arrangement – By early April 2016;
- Implementation Date – By mid April 2016.

Advisers

Unity's lead financial adviser is Grant Samuel, and its legal adviser is Baker & McKenzie. Unity has also been advised by Jett Capital Advisors LLC.

Diversified Minerals' financial adviser is Ironstone Capital, and its legal adviser is Spark Helmore.

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Background on Diversified Minerals

Diversified Minerals is an associated company of the PYBAR Group.

PYBAR is a nationwide provider of mining services with core competencies in metalliferous underground hard rock mining. Founded in 1993, PYBAR's success to date is based on safe, rapid underground infrastructure development and consistent reliable production, delivering on projects from large established mining operations to greenfield developments.

Headquartered in Orange, Central NSW, and privately owned, the PYBAR Group has established infrastructure and operations across Australia and provides a comprehensive service offering to the mining industry through a number of businesses including PYBAR Mining Services as underground mining contractors, HMR Drilling Services (exploration drilling) and JTMEC (mining electrical).

PYBAR has achieved a position of third largest underground hard rock mining contractor in Australia by focusing on productivity and the needs of their clients.

In April 2015, Unity and Diversified Minerals entered into a landmark Farm-In Agreement in respect of the Henty Gold Mine, which has supported ongoing exploration drilling at Henty. Diversified Minerals has been a substantial shareholding in Unity since May 2015.

More information on PYBAR can be found at: <http://www.pybar.com.au> or email enquiries@divminerals.com.au.