



10 February 2016

ASX Release

Unity Mining Limited
ABN 61 005 674 073

Corporate Details:

ASX Code: UML

Issued capital:

1,143M Ordinary Shares
1.63 M 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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Half Year Financial Statements

Six Month Period Ended 31 December 2015

Unity Mining Limited (ASX : UML) is pleased to release its half year financial report for the six month period ended 31 December 2015.

During the six month period under review, Unity generated a gross profit of \$6.028 million, which after interest, exploration, impairment, corporate and other expenses resulted in a net loss of \$9.682 million for the six months.

The net loss recorded for the six month period included an impairment write-down of \$10.893 million in relation to mine property, plant and equipment assets at Dargues Gold Mine (as previously notified to ASX on 22 December 2015).

The December 2015 half year saw a \$15.458 million decrease in sales revenue relative to the prior half-year period. This was the result of the Henty Gold Mine ceasing all mining and production activity in November 2015 (as previously scheduled) and transitioning to full care and maintenance as planned.

As at 31 December 2015 Unity had A\$18.093 million of available cash (30 June 2015: A\$28.461 million). The reduction in Unity's cash reserves during the period was partly attributable to operating cash outflows of \$3.56 million, driven largely by redundancy costs associated with the closure of the Henty Gold Mine. Additionally, Unity undertook a return of capital during the period of 0.5 cents per share (following shareholder approval) which accounted for \$5.672 million of the overall reduction in cash reserves.

Henty Gold Mine Operations:

Gold production for the period was 12,502 ounces, down 48% on the 24,202 ounces produced at Henty in the prior corresponding period. Gold sales revenue of \$20.886 million was generated from sales of 13,283 ounces (2014: 26,079 ounces) at an average gold price of A\$1,545/oz gold (2014: A\$1,396/oz).

The key highlights at the Henty Gold Mine for the half-year ended 31 December 2015 were:

- Ore treated of 102,825 tonnes at 4.2 g/t gold for 12,512 oz gold;
- Continuation of Exploration drilling as part of the Joint-Venture agreement with Diversified Minerals Pty Ltd, with positive results and a third rig deployed to Site;
- Cash operating cost of \$995/oz including royalties of \$79/oz.

Dargues Gold Mine development

On 8 September 2015, following the completion of the public consultation and exhibition period, the Company announced that the Unity Board had unanimously decided to withdraw the application to enable cyanide processing of concentrate at the Dargues Gold Mine project in NSW. The decision was made in light of strong community and stakeholder objection combined with the onerous timeframes relating to the approval process. The Company is proceeding with seeking approval for other relatively minor modifications to the existing mine plan at Dargues, with approval expected by the end of March 2016.

As a consequence of the above change in strategy, the Company announced on 2 December 2015 that a Heads of Agreement ("HOA") had been signed with Westlime Pty Ltd ("Westlime") providing the option to process gold and silver concentrate from the Dargues Gold Mine. Under the terms of the HOA, Westlime have agreed to allow for Unity to process up to 50,000 tonnes of gold/silver concentrate on an annual basis for a minimum period of 5 years.

Kangaroo Flat Gold Mine

On 17 September 2015, the Company announced that it had signed a binding Asset Sale Agreement for the sale of the Kangaroo Flat gold plant, equipment and facilities, including mining and exploration tenements, buildings and freehold land in the Bendigo area ("Bendigo assets") to a wholly owned subsidiary of ASX listed GBM Gold Limited.

Under the agreement a signing fee of \$100,000 was received during the period, with further payments totalling \$5.63 million (representing an amount equivalent to Unity's environmental bonds in relation to the Bendigo project) payable in instalments between completion and the third anniversary following completion.

It is expected that completion of this transaction will occur on 29 February 2016.

Scheme of Arrangement

On 7 December 2015, Unity and Diversified Minerals Pty Ltd ("Diversified Minerals"), an associate of the PYBAR Group, 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 cent per share to be received through a 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 the 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 a 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.

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 is currently being 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.

Timetable

The previously advised timetable for the transaction is still current, and is outlined as follows:

- Lodge the Explanatory Memorandum for the Scheme of Arrangement with ASIC – 29 January 2016;
- First court hearing for the Scheme of Arrangement – 19 February 2016;
- Despatch Explanatory Memorandum - Late February 2016;
- Shareholder meetings – 31 March 2016;
- Second court hearing for the Scheme of Arrangement – Early April 2016;
- Implementation Date – Mid April 2016.

Any changes to this timetable will be advised in due course via announcement to ASX.

Documentation

The Explanatory Memorandum will contain reports by both an Independent Expert (“IER”) and an Independent Technical Expert (“ITE”).

Unity has appointed Sumner Hall Associates Pty Ltd as the IER and AMC Consultants as the ITE.

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

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