

# Explanatory Booklet

For a proposed Transaction delivering Total Cash Payments of **2.9 cents** cash per Unity Share comprising a:

- Capital Return of **1.0 cent** cash per Unity Share to Unity Shareholders; and
- Scheme of Arrangement of **1.9 cents** cash per Unity Share to Unity Shareholders (other than Excluded Shareholders) in relation to the proposed acquisition of all of the fully paid ordinary shares in **Unity Mining Limited** by Diversified Minerals Pty Ltd, through its wholly-owned subsidiary Diversified Minerals Management Pty Ltd.

**Your Directors unanimously recommend that you VOTE IN FAVOUR of the Capital Return and the Scheme, in the absence of a Superior Proposal.**

This Explanatory Booklet includes Notices of Meeting for the Special General Meeting (for the Capital Return) and the Scheme Meeting (for the Scheme), which will be held in succession on Thursday, 31 March 2016 at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne Victoria as follows:

- the Special General Meeting for Unity Shareholders to approve the Capital Return will be held at 10:00am (Melbourne time); and
- the Scheme Meeting for Unity Shareholders to approve the Scheme will be held at 11:00am (Melbourne time) (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded).

Legal Adviser



BAKER & MCKENZIE

Financial Adviser

GRANT SAMUEL



This is an important document and requires your immediate attention. You should read it in its entirety before voting on the Scheme or the Capital Return. If you are in any doubt about how to deal with this document, please consult your professional advisers.

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## Important Dates and Times

|   |  |
|---|--|
| Date of this Explanatory Booklet  | <b>Friday, 19 February 2016</b>  |
| Latest time and date for lodgement of proxies for the Special General Meeting                           | <b>10:00am (Melbourne time) on Tuesday, 29 March 2016</b>  |
| Latest time and date for lodgement of proxies for the Scheme Meeting                                    | <b>11:00am (Melbourne time) on Tuesday, 29 March 2016</b>  |
| Time and date for determining eligibility to vote at the Scheme Meeting and the Special General Meeting | <b>7:00pm (Melbourne time) on Tuesday, 29 March 2016</b>   |
| Special General Meeting of Unity Shareholders   | <b>10:00am (Melbourne time) on Thursday, 31 March 2016</b> , at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria |
| Scheme Meeting of Unity Shareholders  | <b>11:00am (Melbourne time) on Thursday, 31 March 2016</b> , at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria |

### **If the Capital Return and the Scheme are approved by Unity Shareholders:**

|   |   |
|---|---|
| Second Court Date for approval of the Scheme  | <b>Friday, 8 April 2016</b>                             |
| Scheme Effective Date   | <b>Friday, 8 April 2016</b>                             |
| Suspension of Unity Shares from trading   | <b>4:00pm (Melbourne time) on Friday, 8 April 2016</b>  |
| Record Date for determining entitlements to Capital Return and Scheme Consideration | <b>7:00pm (Melbourne time) on Friday, 15 April 2016</b> |
| Implementation Date   | <b>Wednesday, 20 April 2016</b>                         |
| Dispatch of Total Cash Payments   | <b>By Tuesday, 26 April 2016</b>                        |

*All dates subsequent to the Special General Meeting and the Scheme Meeting are indicative only and may change.  
All currencies are in Australian dollars unless stated otherwise.*

## Overview of this Explanatory Booklet

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This Explanatory Booklet contains information about the proposed Capital Return to Unity Shareholders and the contemporaneous Scheme of Arrangement (referred to as the Scheme in this Explanatory Booklet) between Unity and the holders of fully-paid ordinary shares in Unity (other than Excluded Shareholders) under which it is proposed that Diversified Minerals Pty Ltd (**Diversified Minerals**), through its wholly-owned subsidiary, Diversified Minerals Management Pty Ltd (ACN 603 135 511) (**Acquirer**), will acquire all of the fully paid ordinary shares in Unity that Diversified Minerals or its associates do not already own or control. The Scheme and the Capital Return are collectively referred to in this Explanatory Booklet as the **Transaction**.

The Capital Return and the Scheme are both subject to the approval of Unity Shareholders (with Excluded Shareholders, who collectively hold a 13.66% relevant interest in Unity, being ineligible to vote at the Scheme Meeting). Accordingly, this Explanatory Booklet provides you with information to consider before voting on the Capital Return and the Scheme.

If the Transaction is implemented, the Total Cash Payments to be received by Unity Shareholders (other than Excluded Shareholders) will be 2.9 cents for each Unity Share held on the Record Date comprising:

- 1.0 cent cash to be received through the Capital Return; and
- 1.9 cents cash to be received as Scheme Consideration.

As Excluded Shareholders will not be participating in the Scheme, they will only receive the Capital Return of 1.0 cent cash per Unity Share.

The meetings to vote on the Capital Return and the Scheme will be held in succession on Thursday, 31 March 2016 at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria as follows:

- the Special General Meeting for Unity Shareholders to approve the Capital Return will be held at 10:00am (Melbourne time); and
- the Scheme Meeting for Unity Shareholders to approve the Scheme will be held at 11:00am (Melbourne time) (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded).

### Why should you vote?

As a Unity Shareholder who holds Unity Shares as at 7:00pm (Melbourne time) on Tuesday, 29 March 2016, you are eligible to vote on whether the Capital Return and the Scheme are implemented. Excluded Shareholders will be eligible to vote on the Capital Return but not eligible to vote on the Scheme.

The Scheme and Capital Return will only be implemented if:

- the Capital Return is approved at the Special General Meeting by at least 50% of Unity Shareholders present and voting on the Capital Return Resolution; and
- the Scheme is approved at the Scheme Meeting by the Requisite Majorities.

The Capital Return and the Scheme are inter-conditional, meaning that for the Transaction to proceed, both the Capital Return and the Scheme must be implemented. If one does not proceed, then the other will also not proceed.

### What do your Directors recommend?

Your Directors **unanimously recommend** that Unity Shareholders **VOTE IN FAVOUR of the Capital Return and the Scheme**, in the absence of a Superior Proposal. Your Directors who hold or control the voting rights attached to Unity Shares intend to vote their Unity Shares, or ensure that those Unity Shares are voted, in favour of both the Capital Return and the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal. The Independent Expert's Report is included in Annexure 1 and you are encouraged to read it. However, you are not obliged to follow the recommendation of the Directors or the conclusions of the Independent Expert. An Independent Technical Specialist's Report accompanies the Independent Expert's Report.

### What if I have questions in relation to the Transaction?

If you have questions in relation to the Transaction, you should refer to the Frequently Asked Questions Section of this Explanatory Booklet or contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia). Alternatively, you can contact your financial, legal, taxation or other professional adviser.

## What you should do

### 1. Read this document carefully

You should carefully consider the information included in this Explanatory Booklet to help you make an informed decision in relation to your Unity Shares and how to vote on the Capital Return and the Scheme. You should read it in full before voting on the Capital Return and the Scheme. Answers to some frequently asked questions are contained in the Frequently Asked Questions Section of this Explanatory Booklet.

If you have any questions in relation to the Transaction, you should contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia). Alternatively, you can contact your financial, legal, taxation or other professional adviser.

### 2. Vote on the Capital Return and the Scheme

You can vote on the Capital Return and the Scheme (provided you are not an Excluded Shareholder) by doing one of the following:

- attending the Special General Meeting and the Scheme Meeting in person;
- appointing proxies to vote on your behalf at each Meeting;
- appointing attorneys to vote on your behalf at each Meeting; or
- in the case of a corporation which is a Unity Shareholder, appointing an authorised corporate representative to attend and vote on its behalf.

If you choose to vote by proxy, your completed proxy forms need to be received by the Unity Share Registry by:

- for the Special General Meeting, no later than 10:00am (Melbourne time) on 29 March 2016; and
- for the Scheme Meeting, no later than 11:00am (Melbourne time) on 29 March 2016.

A personalised Special General Meeting proxy form (the blue form) and a personalised Scheme Meeting proxy form (the yellow form) have been sent to you with this Explanatory Booklet.

Please refer to Section 2 for further details on how to vote.

## Your vote is important

**Your Directors unanimously recommend that you VOTE IN FAVOUR of the Capital Return and the Scheme, in the absence of a Superior Proposal**

## Important Notices

### Purpose of this document

This Explanatory Booklet provides information to Unity Shareholders necessary for them to make a decision as to how to vote on the Capital Return Resolution to be considered at the Special General Meeting and, with the exception of the Excluded Shareholders, the Scheme Resolution to be considered at the Scheme Meeting. This Explanatory Booklet is provided pursuant to section 412(1) of the Corporations Act to explain the effect of the Scheme and disclose such other information in relation to the Capital Return and the Scheme as is required by the Corporations Act and Corporations Regulations. This Explanatory Booklet is dated 19 February 2016.

### Read the entire Explanatory Booklet

You should read this Explanatory Booklet in its entirety before making your decision on how to vote on the Capital Return and the Scheme. If you have any queries, you should refer to the Frequently Asked Questions Section. Alternatively, you should contact your financial, legal, taxation or other professional adviser.

### References to defined terms, time and currency

Capitalised terms and certain abbreviations used in this Explanatory Booklet are defined in the Glossary in Section 11. The documents reproduced in some of the Annexures to this Explanatory Booklet each have their own defined terms which are sometimes different from those in the Glossary. Unless otherwise specified, all data contained in charts, graphs and tables are based on information available at the date of this Explanatory Booklet. All references to time in this Explanatory Booklet are to Melbourne (Australia) time. All references to \$ or cents in this Explanatory Booklet are to Australian dollars or cents, unless otherwise specified.

### Investment decisions

This Explanatory Booklet is intended for Unity Shareholders generally and does not take into account the investment objectives, financial situation or particular needs of each Unity Shareholder or any other particular person. This Explanatory Booklet should not be relied upon as the sole basis for any investment decision in relation to the Capital Return, Scheme or your Unity Shares. Before making any investment decision in relation to the Capital Return, the Scheme or your Unity Shares, including any decision to vote for or against the Capital Return or the Scheme, you should consider whether that decision is appropriate in the light of your particular investment needs, objectives and financial circumstances. If you are in any doubt about what you should do, you should seek independent financial, legal, taxation or other professional advice before making any investment decision.

### Responsibility for information

The information concerning Unity and the intentions, views and opinions of Unity and its Directors contained in this Explanatory Booklet has been prepared by Unity and its Directors and is the sole responsibility of Unity. Unity has been solely responsible for preparing the information contained in this Explanatory Booklet other than the information concerning Diversified Minerals and Acquirer in Section 5 and the Independent Expert's Report (and Independent Technical Specialist's Report) included in Annexure 1 (**Unity Information**).

The information concerning Diversified Minerals and Acquirer and the intentions, views and opinions of Diversified Minerals and Acquirer and their directors contained in Section 5 has been prepared by Diversified Minerals and is the sole responsibility of Diversified Minerals (**Diversified Minerals Information**). Unity and its Related Bodies Corporate, directors, officers, employees and advisers do not assume any responsibility for the accuracy and completeness of the Diversified Minerals Information.

Sumner Hall Associates Pty Ltd (**Independent Expert**) has prepared the Independent Expert's Report in relation to the Transaction contained in Annexure 1 and takes responsibility for that report. Unity, Diversified Minerals and their respective Related Bodies Corporate, directors, officers, employees and advisers to the maximum extent permitted by law expressly disclaim all liability and take no responsibility for the accuracy or completeness of the information contained in that report.

None of Diversified Minerals and its Related Bodies Corporate, directors, officers, employees and advisers have authorised any of the contents of this

Explanatory Booklet (other than the Diversified Minerals Information) or caused the issue of this Explanatory Booklet.

### ASIC and the ASX

A copy of this Explanatory Booklet has been provided to ASIC for the purpose of section 411(2) of the Corporations Act and registered by ASIC for the purpose of section 412(6) of the Corporations Act. ASIC has examined a copy of this Explanatory Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be provided to the Court at the time of the Second Court Date to approve the Scheme. Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Booklet. A copy of this Explanatory Booklet has been lodged with the ASX and with the Court to obtain an order of the Court approving the calling of the Scheme Meeting. Neither the ASX nor any of its officers, take any responsibility for the contents of this Explanatory Booklet.

### Forward looking statements

This Explanatory Booklet contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. Unity Shareholders should note that such statements are subject to inherent risks and uncertainties as they may be affected by a variety of known and unknown risks, assumptions, variables and other factors, many of which are beyond the control of Unity. Actual results, values, performance or achievement may differ materially from results, values, performance or achievement expressed or implied in any forward looking statement. None of Unity, Diversified Minerals nor their Related Bodies Corporate, directors, officers, employees or advisers or any person named in this Explanatory Booklet with their consent or any person involved in the preparation of this Explanatory Booklet make any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievement expressed or implied in any forward looking statement, except to the extent required by law. Unity Shareholders should not place undue reliance on any such statement. The forward looking statements in this Explanatory Booklet only reflect views held as at the date of this Explanatory Booklet.

### Privacy

Unity may collect personal information in the process of implementing the Transaction. Such information may include the name, contact details and shareholdings of Unity Shareholders and the name of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Special General Meeting and the Scheme Meeting. The primary purpose of the collection of personal information is to assist Unity to conduct the Special General Meeting and the Scheme Meeting and to implement the Transaction. Personal information of the type described above may be disclosed to the Unity Share Registry, print and mail service providers and authorised securities brokers. Unity Shareholders have certain rights to access personal information that has been collected. Unity Shareholders should contact the Unity Share Registry in the first instance, if they wish to access their personal information. Unity Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

### Foreign shareholders

This Explanatory Booklet, the Capital Return and the Scheme are subject to Australian disclosure requirements which may be different from those applicable in other jurisdictions. This Explanatory Booklet does not in any way constitute an offer to buy securities in any place in which, or to any person whom, it would not be lawful to make such an offer. Unity Shareholders residing outside Australia for tax purposes should seek specific taxation advice in relation to the Australian and overseas taxation implications of the Transaction.

### Notice of Second Court Hearing

The Scheme is subject to shareholder approval by the Requisite Majorities and approval of the Court at the Second Court Hearing. Unity Shareholders have the right to appear at the Second Court Hearing and oppose the approval of the Scheme by the Court and be heard, including in opposition to the approval of the Scheme. The Second Court Hearing is expected to be held on 8 April 2016 at the Supreme Court of Victoria, 210 William Street, Melbourne.

Any Unity Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Unity a notice of appearance in the prescribed form together with any affidavit that the Unity Shareholder proposes to rely on.

## IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SECTION 411(1) OF THE CORPORATIONS ACT 2001

On 19 February 2016, the Court issued orders under section 411(1) of the Corporations Act 2001 that a meeting of Unity Shareholders be convened by Unity to consider and vote on the Scheme and that this Explanatory Booklet be despatched to Unity Shareholders. The fact that these orders were made by the Court does not mean that the Court: (a) has formed any view as to the merits of the proposed Scheme or as to how Unity Shareholders (other than the Excluded Shareholders) should vote (on this matter Unity Shareholders must reach their own decision); or (b) has prepared, or is responsible for, the content of this Explanatory Booklet.

19 February 2016

**Letter from the Chairman**

Dear fellow Unity Shareholder

**Recommended Capital Return and Scheme of Arrangement**

As you are probably aware, on 7 December 2015, Unity announced that it had signed an agreement with Diversified Minerals Pty Ltd (**Diversified Minerals**), an associate of Australian mining services contractor, the PYBAR Group, under which it is proposed that Diversified Minerals, through its wholly-owned subsidiary, Diversified Minerals Management Pty Ltd (**Acquirer**) will acquire all Unity Shares that Diversified Minerals and its associates do not already own or control by way of a scheme of arrangement (**Scheme**) in conjunction with a contemporaneous equal capital reduction (**Capital Return**) (together, the **Transaction**).

If the Transaction proceeds to completion, it will deliver to Unity Shareholders (other than the Excluded Shareholders) total cash payments of 2.9 cents for each Unity Share they own as at 7:00pm (Melbourne time) on the Record Date (expected to be 15 April 2016), comprising 1.0 cent cash per Unity Share to be received through the Capital Return and 1.9 cents cash per Unity Share to be received as Scheme Consideration (together, the **Total Cash Payments**). As Excluded Shareholders will not be participating in the Scheme, they will only receive the Capital Return of 1.0 cent cash per Unity Share.

Shareholder meetings to approve both the Scheme and the Capital Return will be held on 31 March 2016.

- **After careful consideration, your Directors unanimously recommend that you VOTE IN FAVOUR of the Capital Return and the Scheme, in the absence of a Superior Proposal.**
- **Each of your Directors intends to VOTE IN FAVOUR of both the Capital Return and the Scheme for all Unity Shares they hold or otherwise control, in the absence of a Superior Proposal.**
- **Your Directors consider that the merits of the Transaction are compelling and likely to deliver higher value and greater certainty to Unity Shareholders than all other current alternatives, including Unity continuing as a standalone entity.**

Your Directors unanimously consider that the Transaction is in the best interests of Unity Shareholders for the following reasons:

✓ **The Independent Expert considers the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal**

The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal. The Independent Expert has valued Unity in the range 2.3 cents to 3.6 cents per Unity Share. The Total Cash Payments of 2.9 cents cash per Unity Share is within the value range determined by the Independent Expert.

✓ **The Total Cash Payments represent a substantial premium to recent trading prices**

The Total Cash Payments represent a substantial material premium to recent trading prices of Unity Shares prior to the announcement of the Transaction including a premium of:

- 45% over the closing price of Unity Shares on ASX on 4 December 2015, being the last trading day prior to the announcement of the Transaction; and
- 128% over the 12 month volume weighted average price of Unity Shares on ASX up to and including 4 December 2015 (adjusted for the 0.5 cent per Unity Share capital return in September 2015).

**✓Transaction superior to all other current alternatives**

The announcement of the Transaction followed a detailed strategic review undertaken by Unity to examine all alternatives to maximise shareholder value, including Unity continuing as a standalone entity.

Unity considered a number of indicative proposals including various asset transactions and other strategic initiatives. The Unity Board unanimously determined that the Transaction represents the best and most certain available outcome for Unity Shareholders having regard to the high degree of certainty of cash value and timing. Since the Transaction was announced, no Competing Proposal has emerged and the Directors consider it is unlikely that a Superior Proposal will emerge.

**✓In the absence of the Transaction, Unity faces an uncertain future as the status quo is not sustainable**

If the Transaction does not proceed, Unity Shareholders will not receive the Total Cash Payments and will continue to be exposed to the risks associated with Unity's projects and also general market risks. In particular, Unity may experience difficulty funding its future activities through the debt or equity markets given that the potential financial requirements for the exploration and development of Unity's assets will exceed its current, diminishing cash position. This is likely to require Unity to consider alternative asset or corporate transactions which the Unity Board considers are unlikely to deliver the same overall value or certainty to Unity Shareholders.

**✓If the Transaction does not proceed, the Unity Share price is likely to fall materially**

The Unity Board considers that if the Transaction does not proceed, in the near term, it is likely that the Unity Share price will fall materially below current price levels and the amount of the Total Cash Payments of 2.9 cents per Unity Share. The Unity Board considers that if the Transaction does not proceed, based on past historic evidence, Unity Shares may trade at a substantial discount to its underlying asset value over time reflecting Unity's diminishing cash position and need to raise additional capital in order to fund the development of its assets.

However, there are reasons why you may choose to vote against the Transaction which are set out in Section 3.2.

Your vote is important in determining whether or not the Transaction proceeds.

I encourage you to vote either by attending the Special General Meeting and the Scheme Meeting to be held on 31 March 2016 at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria, in succession commencing at 10:00am and 11:00am, respectively, or by voting by proxy prior to the Meetings.

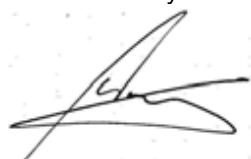
This Explanatory Booklet sets out important information regarding the Transaction, including the reasons to vote in favour or against the Transaction set out in Section 3 and the Independent Expert's conclusion. A full copy of the Independent Expert's Report is set out in Annexure 1.

On behalf of the Unity Board, I urge you to read this Explanatory Booklet carefully as it contains essential information in relation to the Transaction that will assist you in reaching an informed decision. You should seek independent legal, financial, taxation or other professional advice if you are in any doubt as to what you should do in respect of the Transaction.

If you have any questions in relation to the Transaction, please contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia).

I would like to thank you for your ongoing support.

Yours sincerely



**Clive Jones**  
Chairman

## Summary of Key Reasons to Vote For or Against the Transaction

You should read this Explanatory Booklet in full before deciding how to vote.

Section 3 contains a more detailed assessment of the matters which the Directors consider are important in relation to your decision whether or not to vote in favour of the Transaction.

| Key reasons to vote in favour of the Transaction |   |
|--|---|
| •  | Your Directors consider that the Transaction is in the best interests of Unity Shareholders and unanimously recommend that Unity Shareholders VOTE IN FAVOUR of both the Capital Return and the Scheme, in the absence of a Superior Proposal |
| •  | The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal  |
| •  | The Total Cash Payments represent a substantial material premium to recent trading prices of Unity Shares   |
| •  | The Transaction and its return to Unity Shareholders is superior to all other current and available alternatives  |
| •  | In the absence of the Transaction, Unity faces an uncertain future as the status quo is not sustainable   |
| •  | If the Transaction does not proceed, the Unity Share price is likely to fall materially   |

Although the Transaction is unanimously recommended by the Directors in the absence of a Superior Proposal, and the Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal, there may be factors which may lead you to vote against the Transaction, including those set out below.

| Key reasons why you may choose to vote against the Transaction |   |
|--|---|
| •  | You may disagree with the Directors' recommendation and the conclusion of the Independent Expert                  |
| •  | You will not be able to participate in any future potential upside that may result from being a Unity Shareholder |
| •  | You may consider that there is potential for a Superior Proposal to emerge in the foreseeable future              |
| •  | The tax consequences of the Transaction may not be suitable for your financial position                           |

You should be aware of the risks that Unity currently faces with respect to its business and operations, as these risks are relevant in the context of the assessment of the value of Unity Shares. A summary of these key risks is set out in Section 4.9.

If you have questions or require further information, you can contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia). Alternatively, you can contact your financial, legal, taxation or other professional adviser.



## Frequently Asked Questions

This Explanatory Booklet contains detailed information on the Capital Return and the Scheme (together, the **Transaction**). The following Section provides summary answers to some questions you may have in relation to the Transaction and will assist you to locate further detailed information in this Explanatory Booklet.

| Question  | Answer  |
|---|---|
| <b>Overview of the Transaction</b>                    |   |
| <b>What is the Transaction?</b>                       | <p>The Transaction involves the acquisition of all of the fully paid ordinary shares (other than shares held by the Excluded Shareholders) in Unity by Diversified Minerals, through its wholly-owned subsidiary, Acquirer, under a scheme of arrangement (the Scheme) in conjunction with a contemporaneous capital return to Unity Shareholders (the Capital Return).</p> <p>If the Transaction is implemented, Unity Shareholders (other than Excluded Shareholders) will receive Total Cash Payments of 2.9 cents per Unity Share they hold as at 7:00pm (Melbourne time) on the Record Date (expected to be 15 April 2015). The Total Cash Payments comprise:</p> <ul style="list-style-type: none"> <li>• a Capital Return of 1.0 cent cash per Unity Share; and</li> <li>• Scheme Consideration of 1.9 cents cash per Unity Share.</li> </ul> <p>As Excluded Shareholders will not be participating in the Scheme, they will only receive the Capital Return of 1.0 cent cash per Unity Share.</p> |
| <b>What is the effect of the Transaction?</b>         | <p>If the Capital Return and the Scheme are approved by Unity Shareholders and the Scheme becomes Effective, Acquirer will acquire all of the Unity Shares other than those already held by the Excluded Shareholders and Unity Shareholders (other than Excluded Shareholders) will receive the Total Cash Payments of 2.9 cents per Unity Share. Excluded Shareholders will only receive the Capital Return of 1.0 cent cash per Unity Share.</p>   |
| <b>What do the Directors recommend?</b>               | <p><b>The Directors unanimously recommend that you VOTE IN FAVOUR of the Capital Return and the Scheme, in the absence of a Superior Proposal.</b></p> <p>The Directors have carefully considered the potential advantages and disadvantages of the Transaction, as set out in Section 3, and consider that the Transaction is in the best interests of Unity Shareholders. Accordingly, the Directors unanimously recommend that you vote in favour of the Capital Return and the Scheme, in the absence of a Superior Proposal.</p>   |
| <b>What choices do I have as a Unity Shareholder?</b> | <p>As a Unity Shareholder, you have the following choices:</p> <ul style="list-style-type: none"> <li>• you can vote in person or by proxy at the Special General Meeting (in relation to the Capital Return) and at the Scheme Meeting (in relation to the Scheme) (unless you are an Excluded Shareholder, in which case you cannot vote at the Scheme Meeting);</li> <li>• you can elect not to vote at the Special General Meeting and/or the Scheme Meeting;</li> <li>• you can attend and be heard at the Second Court Hearing, including in opposition to the Scheme; or</li> <li>• you can sell your Unity Shares on the ASX.</li> </ul> <p>You should consider whether any decision is appropriate in light of your particular circumstances and, if required, seek professional advice before making any decision in relation to your Unity Shares.</p>   |

| Question  | Answer  |
|---|---|
| <b>How do I oppose the Transaction?</b>   | <p>If you decide not to follow the recommendation of the Directors to vote in favour of the Capital Return and the Scheme, in the absence of a Superior Proposal, you may attend the Capital Return Meeting and the Scheme Meeting either in person or by proxy and vote against the Capital Return and the Scheme, respectively. In any event, should you choose not to follow the recommendation of the Directors, you should seek independent financial, legal or other professional advice.</p> <p>If Unity Shareholders pass the Scheme Resolution at the Scheme Meeting and you wish to appear and be heard at the Second Court Hearing and if so advised, oppose the approval of the Scheme at the Second Court Hearing, you should lodge a notice of intention to appear at the Second Court Hearing, attend the hearing and indicate opposition to the Scheme.</p>   |
| <b>Overview of the Scheme</b>   |   |
| <b>What is the Scheme?</b>  | <p>The Scheme is a legal mechanism pursuant to which Unity is asking Unity Shareholders (other than the Excluded Shareholders) to consider and vote on a proposal under which it is proposed that Diversified Minerals, through its wholly-owned subsidiary, Acquirer, will acquire all the Unity Shares held by Unity Shareholders (other than the Excluded Shareholders) as at 7:00pm (Melbourne time) on the Record Date (expected to be Friday, 15 April 2016) for the Scheme Consideration of 1.9 cents per Unity Share.</p> <p>The Scheme is conditional on the Capital Return proceeding. If the Scheme is implemented, the Scheme Consideration will be paid to Unity Shareholders.</p>   |
| <b>Is the Scheme conditional on the approval of the Capital Return?</b>                           | <p>Yes. The Scheme is conditional on the Capital Return being approved by a majority of votes at the Special General Meeting. If the Capital Return is not approved and is not implemented, then the Scheme will not proceed.</p> <p>For the Transaction to proceed, both the Capital Return and the Scheme must proceed. One cannot be implemented without the other.</p>  |
| <b>Who is Diversified Minerals and what are Diversified Minerals' intentions regarding Unity?</b> | <p>Diversified Minerals is an associate of the PYBAR Group, an Australian-based group of companies. PYBAR Group has been in business in Australia since 1993 and provides a comprehensive service to the mining sector including underground mining services, exploration drilling services, electrical design and construction and mine equipment maintenance, rebuilds and fabrication.</p> <p>Further information about Diversified Minerals and its intentions regarding Unity's business if the Transaction is implemented are set out in Section 5.</p>   |
| <b>Who is Acquirer?</b>   | <p>Acquirer is a wholly-owned subsidiary of Diversified Minerals, which has been nominated by Diversified Minerals to acquire the Scheme Shares.</p>  |
| <b>How is Diversified Minerals funding the Scheme?</b>  | <p>The Scheme Consideration will be satisfied wholly in cash. Diversified Minerals has sufficient cash reserves to pay the aggregate amount of Scheme Consideration to Scheme Shareholders in accordance with the Scheme. In accordance with the Scheme and Deed Poll, by no later than the Business Day immediately prior to the Implementation Date, Diversified Minerals is required to pay the aggregate amount of Scheme Consideration for all Scheme Shareholders in cleared funds into a trust account operated by Unity for all Scheme Shareholders. No banking facility drawdowns are required for Diversified Minerals to pay the aggregate Scheme Consideration.</p> <p>PYBAR has procured the transfer to Diversified Minerals of funds sufficient to pay the aggregate amount of Scheme Consideration under the Scheme, which funds are held in a bank account controlled by Diversified Minerals.</p> |

| Question   | Answer  |
|--|---|
| <b>What is the Independent Expert's conclusion in the Independent Expert's Report?</b> | <p>The Independent Expert has concluded in the Independent Expert's Report that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal.</p> <p>The Independent Expert has valued Unity in the range <b>2.3 cents to 3.6 cents</b> per Unity Share. The Total Cash Payments of 2.9 cents (comprising the Capital Return of 1.0 cent and the Scheme Consideration of 1.9 cents cash per Unity Share) is within the value range determined by the Independent Expert. The Independent Expert's Report is included in Annexure 1 and you are encouraged to read it. It is accompanied by an Independent Technical Specialist's Report.</p>  |
| <b>What happens if a Competing Proposal for Unity emerges?</b>                         | <p>If a Competing Proposal emerges, Unity Shareholders will be notified by way of an announcement to the ASX. Your Directors will carefully consider any Competing Proposal and advise you of their recommendation. The Directors are not aware of any Competing Proposal as at the date of this Explanatory Booklet.</p>   |
| <b>Do I have to sign anything to transfer my Unity Shares?</b>                         | <p>No. If the Scheme becomes Effective, Unity will automatically have authority to sign a transfer on your behalf. The Scheme Consideration, together with the Capital Return, will then be paid to you. However, you should be aware that under the Scheme, you are deemed to have warranted to Diversified Minerals that (in summary):</p> <ul style="list-style-type: none"> <li>&gt; all your Unity Shares held on the Record Date are fully paid and free from all encumbrances; and</li> <li>&gt; you have full power and capacity to sell and transfer your Unity Shares held on the Record Date.</li> </ul> <p>You should ensure that these warranties can be given by you before the Implementation Date. Please refer to Section 1.7 for further information.</p> |
| <b>Overview of the Capital Return</b>  |   |
| <b>What is the Capital Return?</b>   | <p>The Capital Return is a proposal to return to Unity Shareholders 1.0 cent cash for each Unity Share held on the Record Date.</p> <p>The Capital Return is conditional on the Scheme being implemented. If the Scheme is implemented, the Capital Return will be paid to Unity Shareholders.</p>  |
| <b>Is the Capital Return conditional on approval of the Scheme?</b>                    | <p>Yes. The Capital Return is conditional on the Scheme being approved at the Scheme Meeting by the Requisite Majorities. If the Scheme does not become Effective, then you will not receive the Capital Return, irrespective of whether the Capital Return was separately approved by Unity Shareholders as the Special General Meeting.</p> <p>For the Transaction to proceed, both the Capital Return and the Scheme must proceed. One cannot be implemented without the other.</p>  |
| <b>Total Cash Payments</b>   |   |
| <b>Will I be entitled to receive the Total Cash Payments?</b>                          | <p>Yes, provided:</p> <ul style="list-style-type: none"> <li>&gt; all approvals and conditions for the Capital Return and the Scheme are satisfied or waived (as applicable);</li> <li>&gt; the Capital Return and the Scheme are approved by Unity Shareholders at the Special General Meeting and the Scheme Meeting, respectively; and</li> <li>&gt; you are registered as a Unity Shareholder (other than an Excluded Shareholder) at 7:00pm (Melbourne time) on the Record Date (currently scheduled to be Friday, 15 April 2016).</li> </ul> <p>As Excluded Shareholders will not be participating in the Scheme, they will only receive the Capital Return of 1.0 cent cash per Unity Share if the Transaction is implemented.</p>                                   |

| Question  | Answer   |
|---|--|
| <b>What will I receive for my Unity Shares?</b>   | <p>If the Transaction is approved and implemented, Unity Shareholders (other than Excluded Shareholders) will receive Total Cash Payments of 2.9 cents for each Unity Share held at 7:00pm (Melbourne time) on the Record Date (currently scheduled to be Friday, 15 April 2016). The Total Cash Payments comprise:</p> <ul style="list-style-type: none"> <li>&gt; the Capital Return of 1.0 cent per Unity Share; and</li> <li>&gt; the Scheme Consideration of 1.9 cents per Unity Share.</li> </ul> <p>As Excluded Shareholders will not be participating in the Scheme, they will only receive the Capital Return of 1.0 cent cash per Unity Share if the Transaction is implemented.</p>   |
| <b>When will I receive the Total Cash Payments?</b>   | <p>If the Transaction is approved and implemented, despatch of payment of the Total Cash Payments will occur within 3 Business Days after the Implementation Date (which is currently scheduled to be 20 April 2016). On the current indicative timetable, that means that the Total Cash Payments will be despatched by Tuesday, 26 April 2016.</p>   |
| <b>If the Transaction is implemented, how will I be paid my money?</b>                              | <p>The Total Cash Payments will be made by deposit into your nominated bank account, as advised by you to the Unity Share Registry. If you do not have a nominated bank account, a cheque drawn in Australian dollars will be sent to you by post to your registered address as shown in the Register.</p> <p>If you wish to nominate a bank account for the purposes of the Total Cash Payments or if you wish to update the details of any previously nominated bank account, please complete the accompanying Direct Credit Form and return it to the Unity Share Registry in accordance with the instructions on the Direct Credit Form, to be received prior to the Record Date.</p>  |
| <b>What are the tax consequences of the Transaction for me?</b>                                     | <p>Section 6 provides a description of the general tax implications of the Transaction for Australian tax residents. You should consult with your own tax adviser regarding the consequences of the Transaction in light of current tax laws and your particular investment circumstances.</p> <p>Unity is in the process of obtaining a Class Ruling from the ATO on behalf of Unity Shareholders to confirm that the Capital Return and the subsequent disposal of Unity Shares represent separate CGT events and that the Capital Return will not be treated as an unfranked dividend for Australian income tax purposes. Refer to section 6 of this Explanatory Booklet for further information.</p>   |
| <b>Will I have to pay brokerage fees?</b>   | <p>No, you will not have to pay any brokerage fees in connection with the Transaction.</p>   |
| <b>Special General Meeting, Scheme Meeting, voting and approvals</b>                                |  |
| <b>When and where will the Special General Meeting and the Scheme Meeting be held?</b>              | <p>The Special General Meeting of Unity Shareholders (in relation to the Capital Return) and the Scheme Meeting of Unity Shareholders (in relation to the Scheme) will be held in succession on Thursday, 31 March 2016 at the offices of Baker &amp; McKenzie, Level 19, 181 William Street, Melbourne, Victoria as follows:</p> <ul style="list-style-type: none"> <li>&gt; the Special General Meeting for Unity Shareholders to approve the Capital Return will be held at 10:00am (Melbourne time); and</li> <li>&gt; the Scheme Meeting for Unity Shareholders (other than the Excluded Shareholders) to approve the Scheme will be held at 11:00am (Melbourne time) (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded).</li> </ul> |
| <b>Why is there a Special General Meeting and a Scheme Meeting?</b>                                 | <p>The Capital Return and the Scheme are separate proposals. However, the Capital Return and the Scheme are inter-conditional and both are required for the Transaction to proceed. The approval process differs for each proposal.</p>  |
| <b>What votes are required at the Special General Meeting and the Scheme Meeting to approve the</b> | <p>For the Transaction to proceed, both the Capital Return and the Scheme need to be approved by Unity Shareholders at the Special General Meeting and the Scheme Meeting, respectively. If one of both of the Capital Return or the Scheme are not approved by Unity Shareholders in accordance with the voting</p>   |

| Question  | Answer  |
|---|---|
| <b>Transaction?</b>   | <p>requirements set out below, the Transaction will not proceed.</p> <p>The Capital Return must be approved by a majority of the votes cast on the Capital Return Resolution at the Special General Meeting.</p> <p>The Scheme must be approved at the Scheme Meeting by the Requisite Majorities, being:</p> <ul style="list-style-type: none"> <li>&gt; a majority in number (more than 50%) of Unity Shareholders (other than the Excluded Shareholders) present and voting either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative unless the Court orders otherwise; and</li> <li>&gt; at least 75% of the total number of votes cast on the Scheme Resolution.</li> </ul>  |
| <b>What are my choices?</b>   | <p>Unity Shareholders have the following choices:</p> <ul style="list-style-type: none"> <li>&gt; vote in favour of the Capital Return;</li> <li>&gt; vote against the Capital Return;</li> <li>&gt; vote in favour of the Scheme (other than Excluded Shareholders);</li> <li>&gt; vote against the Scheme (other than Excluded Shareholders);</li> <li>&gt; sell their Unity Shares before the Effective Date;</li> <li>&gt; attend and appear at the Second Court Hearing, including in opposition to the Scheme; or</li> <li>&gt; do nothing (although the Directors encourage Unity Shareholders other than the Excluded Shareholders to exercise their votes).</li> </ul>   |
| <b>Who is entitled to vote?</b>   | <p>To be entitled to vote on the Capital Return Resolution at the Special General Meeting and the Scheme Resolution at the Scheme Meeting, you will need to be on the Register as a Unity Shareholder at 7:00pm (Melbourne time) on Tuesday, 29 March 2016. Excluded Shareholders will not be entitled to vote on the Scheme Resolution at the Scheme Meeting.</p>  |
| <b>Are Diversified Minerals and its associates holding Unity Shares entitled to vote?</b> | <p>Diversified Minerals and its associates may vote any Unity Shares they own or control at the Special General Meeting in relation to the Capital Return.</p> <p>However, Diversified Minerals and its associates are not eligible to vote any Unity Shares they own or control at the Scheme Meeting in relation to the Scheme.</p> <p>As at the date of this Explanatory Booklet, Diversified Minerals and its associates hold a relevant interest in 13.66% of all Unity Shares.</p>  |
| <b>How will the Directors be voting?</b>  | <p>Each of the Directors who holds or controls the voting rights attached to Unity Shares intends to vote his Unity Shares, or ensure that those Unity Shares are voted, in favour of the Capital Return and the Scheme, in the absence of a Superior Proposal.</p>   |
| <b>How do I vote?</b>   | <p>As a Unity Shareholder, you can vote on the Capital Return and the Scheme (other than Excluded Shareholders, who are not eligible to vote on the Scheme) by doing one of the following:</p> <ul style="list-style-type: none"> <li>&gt; by attending the Special General Meeting (in relation to the Capital Return) and the Scheme Meeting (in relation to the Scheme) in person;</li> <li>&gt; by appointing attorneys to vote on your behalf;</li> <li>&gt; by appointing proxies to vote on your behalf; or</li> <li>&gt; in the case of a corporation which is a Unity Shareholder, by appointing authorised corporate representatives to attend and vote on its behalf.</li> </ul> <p>If you choose to vote by proxy, your completed proxy forms need to be received by the Unity Share Registry by no later than 10:00am (Melbourne time) on 29 March 2016 in relation to the Special General Meeting and by no later than 11:00am (Melbourne time) on 29 March 2016 in relation to the Scheme Meeting. Please refer to Section 2 and the relevant Notices of Meeting included in Annexures 2 and 3 for details on how to vote.</p> |

| Question   | Answer  |
|--|---|
| <b>Is voting compulsory?</b>   | No, voting is not compulsory. However, your vote is important. If you cannot attend the Special General Meeting and the Scheme Meeting, you should complete and return the personalised blue Special General Meeting proxy form and yellow Scheme Meeting proxy form sent to you with this Explanatory Booklet in accordance with the direction on the proxy forms. Your proxy forms must be received by the Unity Share Registry by no later than 10:00am (Melbourne time) on 29 March 2016 in relation to the Special General Meeting and by no later than 11:00am (Melbourne time) on 29 March 2016 in relation to the Scheme Meeting. Please refer to Section 2 and the relevant Notices of Meeting included in Annexures 2 and 3 for details on how to vote.   |
| <b>What happens if I do not vote?</b>  | <p>If you are a Unity Shareholder (other than an Excluded Shareholder) at 7:00pm (Melbourne time) on the Record Date and the Capital Return and the Scheme have been approved and the Scheme has become Effective, your Unity Shares will be transferred to Acquirer, as the nominee of Diversified Minerals, under the Scheme and you will receive Total Cash Payments of 2.9 cents per Unity Share. This will occur, even if you did not vote, or voted against, the Capital Return and/or the Scheme.</p> <p>If the Capital Return and the Scheme are not approved, you will remain a Unity Shareholder and you will not receive the Total Cash Payments.</p>  |
| <b>What if I lose or misplace my personalised proxy forms?</b>   | If you have lost or misplaced your personalised proxy forms, please contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia).   |
| <b>When will the results of the Special General Meeting and the Scheme Meeting be available?</b>   | <p>The results of the Special General Meeting will be publicly available shortly after the conclusion of the Special General Meeting and will be announced on the ASX. These results are required to be finalised and announced prior to the commencement of the Scheme Meeting.</p> <p>The results of the Scheme Meeting will be publicly available shortly after the conclusion of the Scheme Meeting and will be announced on the ASX.</p>   |
| <b>Approvals and conditions of the Transaction</b>   |   |
| <b>Is the Transaction subject to any conditions precedent?</b>   | Implementation of the Transaction is subject to a number of conditions that must be satisfied or waived for the Transaction to be implemented, commonly referred to as 'conditions precedent'. The key conditions precedent are summarised in Section 8.3 of this Explanatory Booklet and set out in full in the Scheme Implementation Agreement.   |
| <b>Are any other approvals required?</b>   | The Scheme must be approved by the Court in addition to being approved at the Scheme Meeting by the Requisite Majorities. If the Scheme is approved by the Requisite Majorities at the Scheme Meeting and all of the conditions are satisfied or waived, Unity will apply to the Court for approval of the Scheme as soon as practicable. Further details of the approval process are set out in Section 1.   |
| <b>What happens if the Capital Return is not approved at the Special General Meeting or if the Scheme is not approved at the Scheme Meeting or by the Court?</b> | <p>If the Capital Return is not approved at the Special General Meeting, or if the Scheme is not approved at the Scheme Meeting or by the Court and no Superior Proposal emerges:</p> <ul style="list-style-type: none"> <li>&gt; you will not receive the Total Cash Payments (or any part of the Capital Return or Scheme Consideration);</li> <li>&gt; the Transaction will not proceed and you will retain your investment in Unity Shares and continue to experience the benefits and risks associated with this investment;</li> <li>&gt; assuming all other things remain unchanged, the Unity Share price will likely fall materially below current price levels and the amount of the Total Cash Payments of 2.9 cents per Unity Share;</li> <li>&gt; the Unity Board and the management team will continue in their current roles and will, as in the ordinary course, continue to review the operations and strategy of Unity; and</li> <li>&gt; Unity will remain a company listed on the ASX.</li> </ul> |

| Question   | Answer  |
|--|---|
| <b>Are any break fees payable?</b>                 | <p>A break fee of \$400,000 is potentially payable by Unity to Diversified Minerals if:</p> <ul style="list-style-type: none"> <li>&gt; the Unity Board fails to recommend the Scheme to Unity Shareholders or publicly withdraws, qualifies or varies its recommendation of the Scheme in a manner adverse to Diversified Minerals, or otherwise makes a public statement that it no longer supports the Scheme, other than in specified circumstances;</li> <li>&gt; a Competing Proposal is announced during the Exclusivity Period and at any time during the Exclusivity Period or on or prior to the date nine months after the end of the Exclusivity Period, the proponent of the Competing Proposal enters into any transaction that was a Competing Proposal;</li> <li>&gt; Diversified Minerals validly terminates the Scheme Implementation Agreement in accordance with clause 8.1 of the Scheme Implementation Agreement (termination for breach); or</li> <li>&gt; certain conditions of the Scheme Implementation Agreement are breached or not satisfied and Diversified Minerals terminates the Scheme Implementation Agreement as a result.</li> </ul> <p>However, if Unity Shareholders do not approve the Capital Return at the Special General Meeting or do not approve the Scheme at the Scheme Meeting and if none of the above situations apply, no break fee is payable. Further details about the break fee are set out in Section 8.6.</p> |
| <b>Other questions</b>                             |   |
| <b>Can I sell my Unity Shares now?</b>             | <p>You can sell your Unity Shares at any time before the close of trading on the Effective Date. The Effective Date is currently expected to be 8 April 2016.</p>   |
| <b>What happens to the Unity Options on issue?</b> | <p>At the date of this Explanatory Booklet, Unity has on issue 43,227,196 Options. Unity has entered into Options Cancellation Deeds with each Unity Optionholder under which all Optionholders have agreed to cancel their Unity Options for an agreed total amount of consideration of \$372,082. The ASX has granted a waiver under ASX Listing Rule 6.23.2 to permit the cancellation of the Unity Options in accordance with the Options Cancellation Deeds. As a result of the Options Cancellation Deeds, Unity is not proposing a separate scheme of arrangement with Unity Optionholders.</p> <p>For further details in relation to the Options, please refer to Section 10.10.</p>  |
| <b>Where can I get further information?</b>        | <p>This Explanatory Booklet provides detailed information in relation to the Transaction that Unity Shareholders should read. If you have any questions or require further information, you can contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia). Alternatively, please contact your financial, legal, taxation or other professional adviser. For additional copies of this Explanatory Booklet, please visit the Unity website at 'www.unitymining.com.au'.</p>   |

## **Section 1**

### **Summary of the Transaction**



# 1 Summary of the Transaction

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## 1.1 The Transaction

On 7 December 2015, Unity announced that it had entered into a Scheme Implementation Agreement with Diversified Minerals under which it is proposed that Diversified Minerals will acquire all of the Unity Shares (other than those held by Excluded Shareholders) by way of a Scheme of Arrangement, subject to the approval of Unity Shareholders and certain other conditions, including approval of the Court. Diversified Minerals has subsequently nominated its wholly-owned subsidiary, Acquirer, to acquire the Scheme Shares.

As part of the announcement on 7 December 2015, Unity announced the Capital Return to be implemented in conjunction with the Scheme.

The Transaction encompasses both the Capital Return and the Scheme. The Capital Return and the Scheme are inter-conditional, meaning that for the Transaction to proceed, both the Capital Return and the Scheme must be implemented. If one does not proceed, then the other will also not proceed.

## 1.2 What Unity Shareholders will receive

If the Transaction proceeds, Unity Shareholders (other than Excluded Shareholders) will receive Total Cash Payments of 2.9 cents for each Unity Share held at 7:00pm (Melbourne time) on the Record Date. This amount comprises:

- the Capital Return, being 1.0 cent per Unity Share; and
- the Scheme Consideration, being 1.9 cents per Unity Share.

If the Transaction proceeds, the Excluded Shareholders will receive the Capital Return but not the Scheme Consideration.

If the Transaction proceeds, all of your Unity Shares will be transferred to Acquirer, as the nominee of Diversified Minerals, under the Scheme, and Unity will become a subsidiary of Acquirer and Diversified Minerals. Unity will then be delisted from the ASX.

## 1.3 Key conditions precedent

Implementation of the Transaction is subject to a number of conditions precedent. The key conditions precedent under the Scheme Implementation Agreement that must be satisfied or waived in order for the Transaction to proceed are:

- a) Shareholder approval is obtained at the Special General Meeting by a majority of votes cast on the Capital Return Resolution;
- b) Shareholder approval is obtained at the Scheme Meeting by the Requisite Majorities;
- c) the Court makes orders approving the Scheme on the Second Court Date;
- d) no Unity Prescribed Event or Diversified Minerals Prescribed Event occurs before 8:00am (Melbourne time) on the Second Court Date;

- e) no Director adversely changes, adversely qualifies or withdraws his recommendation to vote in favour of the Scheme;
- f) no Material Adverse Change occurs before 8:00am on the Second Court Date;
- g) Unity provides confirmation to Diversified Minerals by 8:00am on the Second Court Date that all Options will cease to exist at the Implementation Date;
- h) Unity provides confirmation to Diversified Minerals by 8:00am on the Second Court Date that all Performance Rights vest and convert prior to the Record Date;
- i) Unity has not entered into any agreement, arrangement or understanding with a third party in relation to a Competing Proposal as at 8:00am on the Second Court Date; and
- j) Unity delivers to Diversified Minerals on the Business Day immediately prior to the Second Court Date a certificate that Unity has sufficient Net Cash to pay the Capital Return.

As at the date of this Explanatory Booklet, neither Unity nor Diversified Minerals is aware of any reason why any of these conditions precedent will not be satisfied or waived by the required date.

These conditions precedent are discussed in more detail in Section 8.3 and are set out in full in the Scheme Implementation Agreement which is reproduced in full (excluding annexures) in Annexure 6 and the Scheme of Arrangement document which is set out in Annexure 4.

## 1.4 Special General Meeting

The Special General Meeting to approve the Capital Return will be held at 10:00am (Melbourne time) on Thursday, 31 March 2016 at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria.

Further details on how to vote are provided in Section 2 and in the Notice of Special General Meeting included as Annexure 2.

## 1.5 Scheme Meeting

On 19 February 2016, the Court ordered that the Scheme Meeting be convened in accordance with the Notice of Scheme Meeting.

The Scheme Meeting will be held on Thursday, 31 March 2016 at 11:00am (Melbourne time) (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded) at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria.

Further details on how to vote are provided in Section 2 and in the Notice of Scheme Meeting included as Annexure 3.

### **1.6 Total Cash Payments**

The Total Cash Payments will be paid by way of deposit into your nominated bank account as advised by you to the Unity Share Registry as at 7:00pm (Melbourne time) on the Record Date.

If you wish to nominate a bank account for the purposes of the Total Cash Payments or if you wish to update the details of any previously nominated bank account, please complete the accompanying Direct Credit Form and return it to the Unity Share Registry in accordance with the instructions on the Direct Credit Form, to be received prior to the Record Date.

If you have not notified the Unity Share Registry of a nominated bank account, payment will be made by cheque drawn in Australian dollars sent to you by post to your registered address as shown in the Register as at 7:00pm (Melbourne time) on the Record Date.

Despatch of payment of the Total Cash Payments will be made within 3 Business Days after the Implementation Date (currently scheduled to be Wednesday, 20 April 2016). On the current indicative timetable, that means that the Total Cash Payments will be despatched by Tuesday, 26 April 2016.

In the case of Unity Shares held in joint names any cheque required to be paid to Unity Shareholders will be payable to the joint holders and will be sent to the holder whose name appears first in the Register as at the Record Date.

### **1.7 Warranties of Unity Shareholders on the Record Date**

To the extent permitted by law, the Unity Shares transferred to Acquirer under the Scheme will be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise.

Each Unity Shareholder on the Record Date (other than the Excluded Shareholders) is taken to have warranted to Diversified Minerals, and authorised Unity as its agent and attorney to warrant to Diversified Minerals, that all their Unity Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer to Acquirer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, and that they have full power and capacity to sell and transfer their Unity Shares to Acquirer under the Scheme together with any rights and entitlements attaching to those shares.

Unity Shareholders should be aware that, to the extent that this warranty is untrue in respect of their Unity Shares, and their Unity Shares are not transferred under the Scheme free of third party interests, they may be liable to compensate Diversified Minerals for any damage caused to Diversified Minerals resulting from such encumbrance.

### **1.8 Exclusivity arrangements**

The Scheme Implementation Agreement contains exclusivity arrangements. Further details about these arrangements are set out in Section 8.5 of this Explanatory Booklet and in the Scheme Implementation Agreement reproduced in Annexure 6.

### **1.9 Tax consequences**

Australian tax considerations for Unity Shareholders are set out in Section 6.

### **1.10 No brokerage**

No brokerage will be payable by you on the Total Cash Payments you receive under the Transaction.

### **1.11 Deed Poll**

On 17 February 2016, Diversified Minerals executed the Deed Poll under which it agreed, subject to the Scheme becoming Effective, that Diversified Minerals would provide the Scheme Consideration to each Unity Shareholder (other than the Excluded Shareholders) on the Record Date, and Diversified Minerals undertook in favour of each Unity Shareholder (other than the Excluded Shareholders) on the Record Date, to ensure that Diversified Minerals pays or procures payment of the Scheme Consideration in accordance with the terms of the Scheme. Further details in relation to the payment of Scheme Consideration is set out in Section 9.1. A copy of the Deed Poll is set out in Annexure 5.

### **1.12 Share splitting**

The Scheme Implementation Agreement provides that, if the conditions precedent relating to shareholder approval of the Scheme are not satisfied by reason only of a failure to obtain the majority in number of Unity Shareholders (other than the Excluded Shareholders) present and voting required by the Corporations Act (Headcount Test) due to share splitting or other abusive or improper conduct, Unity must apply for an order seeking Court approval of the Scheme notwithstanding that the Headcount Test has not been satisfied (including making any necessary submissions to the Court in consultation of Diversified Minerals).

### **1.13 Unity Options**

For details regarding the Unity Options, you should refer to Section 10.10.

## **Section 2**

### **How to Vote**

## 2 How to Vote

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### 2.1 Meetings

The Capital Return and the Scheme will be implemented if, among other things:

- the Capital Return is approved by a majority of votes cast on the Capital Return Resolution at the Special General Meeting; and
- the Scheme is approved at the Scheme Meeting by the Requisite Majorities and by the Court.

The Special General Meeting and the Scheme Meeting will be held in succession on Thursday, 31 March 2016 at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria as follows:

- the Special General Meeting for Unity Shareholders to approve the Capital Return will be held at 10:00am; and
- the Scheme Meeting for Unity Shareholders (other than the Excluded Shareholders) to approve the Scheme will be held at 11:00am (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded).

The Notice of Special General Meeting is set out in Annexure 2 and the Notice of Scheme Meeting is set out in Annexure 3.

### 2.2 Voting entitlement

Unity Shareholders who are registered on the Register at 7:00pm (Melbourne time) on Tuesday, 29 March 2016 are:

- entitled to attend and vote at the Special General Meeting; and
- with the exception of the Excluded Shareholders, entitled to attend and vote at the Scheme Meeting.

Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Special General Meeting and the Scheme Meeting. In the case of Unity Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one Unity Shareholder votes in respect of jointly held Unity Shares, only the vote of the Unity Shareholder whose name appears first in the Register will be counted.

### 2.3 Approval of the Capital Return Resolution

The Capital Return must be approved by a majority of the votes cast on the Capital Return Resolution.

The Capital Return is also conditional on the approval of the Scheme by Unity Shareholders and the Court. If the Scheme is not implemented, and the Transaction does not proceed, the Capital Return will not proceed. For the Transaction to proceed, both the Capital Return and the Scheme must proceed. One cannot be implemented without the other.

### 2.4 Approval of the Scheme Resolution - Requisite Majorities

For the Scheme to be implemented, the Scheme must be approved at the Scheme Meeting by the Requisite Majorities, being:

- A. a majority in number (more than 50%) of Unity Shareholders (other than the Excluded Shareholders) present and voting on the Scheme Resolution at the Scheme Meeting (in person or by proxy, attorney or corporate representative) unless the Court otherwise orders; and
- B. at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Unity Shareholders (other than the Excluded Shareholders) entitled to vote on the Scheme Resolution (in person or by proxy, attorney or corporate representative).

If the Scheme is approved at the Scheme Meeting by the Requisite Majorities and all of the conditions of the Scheme are satisfied or waived, the Court will be asked to approve the Scheme on the Second Court Date.

### 2.5 Exercise your vote

Unity Shareholders may vote on the Capital Return and the Scheme by attending the Special General Meeting and the Scheme Meeting, respectively, in person or by proxy, attorney or, in the case of a corporation which is a Unity Shareholder, by corporate representative.

The Excluded Shareholders will not be entitled to vote at the Scheme Meeting in relation to the Scheme.

### 2.6 Voting in person

To vote in person at the Special General Meeting and the Scheme Meeting, you must attend the Special General Meeting and the Scheme Meeting, as applicable. A Unity Shareholder who wishes to attend and vote at the Special General Meeting and the Scheme Meeting in person will be admitted to the relevant Meeting and given a voting card upon disclosure of their name and address at the point of entry to that Meeting.

The Excluded Shareholders will not be entitled to vote or to receive a voting card at the Scheme Meeting.

### 2.7 Voting by proxy

If you wish to appoint proxies in respect of the Special General Meeting and the Scheme Meeting, you are requested to complete and sign the personalised Special General Meeting proxy form (the blue form) and Scheme Meeting proxy form (the yellow form) sent to you with this Explanatory Booklet or lodge your proxy nomination online. Proxy forms should be provided to the Unity Share Registry in any of the following ways:

- **By hand** to Boardroom Pty Limited, at Grosvenor Place, Level 12, 225 George Street, Sydney NSW 2000.

- **By post** in the enclosed reply paid envelope to:  
Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001
- **By fax** to Boardroom Pty Limited on +61 2 9290 9655 together with a business hours telephone contact number.
- **Online:** You may lodge your proxy online by logging on to the following websites and by following the relevant instructions:
  - [www.votingonline.com.au/unitysgm2016](http://www.votingonline.com.au/unitysgm2016) in respect of the Special General Meeting; and
  - [www.votingonline.com.au/unitysm2016](http://www.votingonline.com.au/unitysm2016) in respect of the Scheme Meeting.

Your proxy forms must be received by the Unity Share Registry (whether by internet, mail or facsimile) by no later than 10:00am (Melbourne time) on 29 March 2016 in relation to the Special General Meeting any by no later than 11:00am (Melbourne time) on 29 March 2016 in relation to the Scheme Meeting. If the Special General Meeting and/or Scheme Meeting is adjourned, your proxy vote(s) must be received by at least 48 hours before the resumption of the relevant Meeting. Please note that post only reaches the Unity Share Registry on Business Days. Proxies will be admitted to the Special General Meeting and the Scheme Meeting and given a voting card upon providing written evidence of their name and address at the point of entry. The return of a proxy form will not preclude a Unity Shareholder from attending in person and voting at the relevant Meeting at which the Unity Shareholder is entitled to attend and vote.

## 2.8 Voting by attorney

Your attorney may attend the Special General Meeting and the Scheme Meeting and vote on your behalf.

Unity Shareholders who wish to vote by attorney at the Special General Meeting and the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Unity for notation, deliver to the Unity Share Registry the original or certified copy of the power of attorney by post (as per the addresses specified in Section 2.7) so that it is received by the Unity Share Registry before the relevant Meeting commences or alternatively, it should be brought to the relevant Meeting.

An attorney will be admitted to the Special General Meeting and the Scheme Meeting and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer at the point of entry to the relevant Meeting.

## 2.9 Voting by corporate representative

To vote at the Special General Meeting and the Scheme Meeting (other than by proxy or attorney), a corporation that is a Unity Shareholder must appoint a person to act as its representative. The appointment must comply with the Corporations Act. Authorised corporate representatives will be

admitted to the Special General Meeting and the Scheme Meeting and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer at the point of entry to the Special General Meeting and the Scheme Meeting.

## 2.10 Further Information

If you are in any doubt about anything in this Explanatory Booklet, please contact your financial, legal, taxation or other professional adviser. If you have any questions or require further information, you can contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia).

## 2.11 Misplaced Proxy Forms

If you have lost or misplaced either or both of your personalised Special General Meeting proxy form (the blue form) or Scheme Meeting proxy form (the yellow form), please contact the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia).

## **Section 3**

### **Key Reasons to Vote For or Against the Transaction**

### 3 Key Reasons to Vote For or Against the Transaction

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#### 3.1 Key reasons to vote in favour of the Transaction

Set out below is a summary of the key reasons to vote in favour of the Capital Return and the Scheme (together, the **Transaction**). This Section should be read in conjunction with Section 3.2 which sets out the key reasons why you may consider voting against the Transaction, Section 3.3 which sets out other considerations and Section 3.4 which sets out the likely implications if the Transaction does not proceed.

The Directors consider that the key reasons to vote in favour of the Transaction are as follows:

##### **A. Your Directors consider that the Transaction is in the best interests of Unity Shareholders and unanimously recommend that Unity Shareholders VOTE IN FAVOUR of both the Capital Return and the Scheme, in the absence of a Superior Proposal**

In October 2015, following receipt of a number of indicative proposals in relation to various asset transactions and other strategic initiatives, the Unity Board determined that it was in the interests of Unity Shareholders that a full strategic review be conducted to examine all options to maximise shareholder value, including Unity continuing as a standalone company.

Unity's management and its advisers actively progressed discussions with a number of parties on a range of potential transactions, including potential change of control proposals and asset level initiatives.

Having considered all available alternatives, including the potential for Unity to continue to progress the Dargues Project as a standalone ASX listed entity, the Unity Board concluded that the Transaction was superior to all other alternatives. Your Directors consider that the Transaction is compelling and likely to deliver the nearest outcome, highest value and greatest certainty when compared to other current alternatives, including Unity continuing as a standalone entity.

As a result, on 7 December 2015 Unity announced that it had entered into the Scheme Implementation Agreement with Diversified Minerals, as well as the Capital Return to be implemented in conjunction with the Scheme.

Your Directors have concluded that the Transaction is in the best interests of Unity Shareholders and therefore unanimously recommend that Unity Shareholders vote in favour of the Transaction, in the absence of a Superior Proposal.

Each of your Directors intends to vote in favour of the Transaction in the absence of a Superior Proposal, for all Unity Shares they hold or otherwise control.

None of the Directors will have any ongoing role in Unity post the Transaction concluding.

##### **B. The Independent Expert has concluded that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal**

The Directors commissioned Sumner Hall Associates Pty Ltd to prepare an Independent Expert's Report in relation to the Transaction. The Independent Expert has assessed the estimate of the underlying value for 100% control of the Shares in Unity to be in the range of 2.3 cents to 3.6 cents per Unity Share. The Total Cash Payments of 2.9 cents per Unity Share is within the Independent Expert's valuation range for Unity and accordingly the Transaction is fair and reasonable to Unity Shareholders. The Independent Expert has also concluded that the Transaction is in the best interests of Unity Shareholders.

In reaching its decision, the Independent Expert assessed a range of factors that are outlined in the Independent Expert's Report. These factors included:

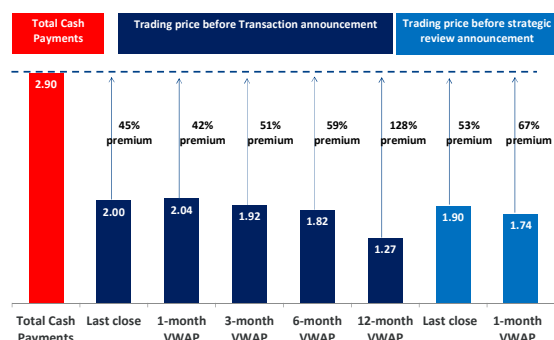
- whether the Transaction is fair;
- the existing shareholding structure of Unity;
- the likelihood of an alternative offer or proposal that could realise fair value;
- the likely market price and liquidity of Unity Shares in the absence of the Transaction; and
- any other benefits that might arise from the Transaction.

Annexure 1 of the Explanatory Booklet contains a complete copy of the Independent Expert's Report. It is accompanied by an Independent Technical Specialist's Report prepared by AMC Consulting Pty Ltd. The Directors encourage you to read the Independent Expert's Report in its entirety.

##### **C. The Total Cash Payments represent a substantial material premium to recent trading prices of Unity Shares**

The Total Cash Payments of 2.9 cents per Unity Share represent a material premium to the recent trading prices of Unity Shares prior to the announcement of Unity's strategic review on 13 October 2015 and prior to the announcement of the Transaction on 7 December 2015.

**Figure 1: Total Cash Payments and recent trading prices of Unity Shares (cents)<sup>1</sup>**



Source: IRESS

The Independent Expert considers that the Total Cash Payments represents premiums "well above the level of premiums that are generally observed in takeovers and schemes of arrangement in the Australian market that tend to be in the range 25-35% compared to the pre-offer share trading price" (see page 4 of the Independent Expert's Report).

Accordingly, the Transaction is an opportunity for Unity Shareholders to realise their investment in Unity at a substantial premium to recent trading prices of Unity Shares, particularly in circumstances where:

- Unity's market value generally declined from early 2013, when the Unity Share price was around 10 cents, to 31 December 2014 when it closed at 0.55 cents<sup>1</sup>;
- from 1 January 2015, until the announcement of the Transaction on 7 December 2015, Unity Shares traded in the range of 0.55 cents to 2.43 cents, at a volume weighted average price of 1.28 cents<sup>1</sup>; and
- Unity Shares last traded above 2.9 cents in February 2014<sup>1</sup>.

#### **D. The Transaction is superior to all other current alternatives**

As noted above, the announcement of the Transaction followed a detailed strategic review undertaken by Unity to examine all alternatives to maximise shareholder value, including Unity continuing as a standalone entity. The Unity Board unanimously determined that the Transaction represents the best available outcome for Unity Shareholders.

The Total Cash Payments enable Unity Shareholders to realise the value of their investment

in Unity with certainty, in terms of both cash value and timing.

On the current indicative timetable, Unity Shareholders (other than Excluded Shareholders) should expect to receive the Total Cash Payments by around 26 April 2016. The Transaction provides you with an opportunity to realise the value of your Unity Shares without having to pay any brokerage fees or transaction costs.

If the Transaction is not implemented, the future value of your Unity Shares and the return you may be able to receive from your investment in Unity is uncertain.

Since the Transaction was announced on 7 December 2015, and as at the date of this Explanatory Booklet, no Competing Proposal has emerged and the Directors consider it is unlikely that a Superior Proposal will emerge.

#### **E. In the absence of the Transaction, Unity faces an uncertain future as the status quo is not sustainable**

In assessing the Transaction, the Unity Board considered the future prospects of Unity having regard to the following risks:

- despite Unity amending its development approach on the Dargues Gold Project, both the capacity to fund development of the Dargues Gold Project in a manner that is in the best interests of Unity Shareholders and the absolute time frames to conclude all regulatory processes remain uncertain;
- with revenue no longer being generated at Henty Unity's cash position will decrease moving forward;
- future potential capital requirements for exploration and development at both Henty and Dargues exceed Unity's current cash balance; and
- capital, economic and commodity markets remain challenging for the junior resource sector, particularly for those without cash flow. The terms of procuring further development capital or working capital would likely result in substantial shareholder dilution for existing Unity Shareholders.

If the Transaction does not proceed, you will not receive the Total Cash Payments and Unity Shareholders will continue to be exposed to the above risks as well as other business and general market risks described in Section 4.9.

Further, the Unity Board expects that Unity will be required to consider alternative asset or corporate transactions which the Unity Board considers are unlikely to deliver the same overall value and certainty to Unity Shareholders as the Transaction.

#### **F. If the Transaction does not proceed, it is likely that the Unity Share price will fall materially**

The Unity Board considers that if the Transaction does not proceed, in the near term, it is likely that

<sup>1</sup> Based on Unity Share prices adjusted for the 0.5 cent per Unity Share capital return in September 2015.



the Unity Share price will fall materially below current price levels and the amount of the Total Cash Payments of 2.9 cents per Unity Share. The Unity Board considers that if the Transaction does not proceed, based on past historic evidence, Unity Shares may trade at a substantial discount to its underlying asset value over time reflecting Unity's diminishing cash position and need to raise additional capital in order to fund the development of its assets.

The Transaction removes these uncertainties and provides a higher degree of certainty of value and timing in relation to your investment in Unity.

This view is shared by the Independent Expert who states on page 4 of the Independent Expert's Report:

*"In the absence of the Proposed Transaction, it is reasonable to expect Unity Mining shares would trade at prices significantly below current market prices (which reflect the 1.9¢ offer price to be paid by Diversified Minerals and the proposed capital return of 1.0¢ per share if the Proposed Transaction is approved)."*

### **3.2 Potential reasons to vote against the Transaction**

Although the Directors unanimously recommend that you vote in favour of the Transaction, in the absence of a Superior Proposal, and the Independent Expert has concluded that the Transaction is fair and reasonable to Unity Shareholders and in the best interests of Unity Shareholders in the absence of a superior proposal, Unity Shareholders should have regard to their individual circumstances in deciding whether to vote in favour of the Transaction. This Section should be read in conjunction with Section 3.1 which sets out the key reasons why you may consider voting in favour of the Transaction, Section 3.3 which sets out other considerations and Section 3.4 which sets out the likely implications if the Transaction does not proceed.

#### **A. You may disagree with the Directors' recommendation and the conclusion of the Independent Expert**

You may disagree with the unanimous recommendation of the Directors that you vote in favour of the Transaction, in the absence of a Superior Proposal. You may also disagree with the conclusion of the Independent Expert who has concluded that the Transaction is fair and reasonable and in the best interests of Unity Shareholders in the absence of a superior proposal.

#### **B. You will not be able to participate in any future potential upside that may result from being a Unity Shareholder**

If the Transaction is approved and implemented, the Unity Shares held by you will be transferred to Acquirer, as the nominee of Diversified Minerals, and you will receive the Total Cash Payments of 2.9 cents cash per Unity Share. As a consequence, you

will cease to be a Unity Shareholder. This will mean that:

- you will forego any potential future dividends from Unity and will no longer participate in any potential future value upside in the Unity business through share price appreciation;
- you will lose your voting rights as a Unity Shareholder and therefore, your ability to influence the direction of Unity; and
- all future benefits associated with being a Unity Shareholder will accrue exclusively to Diversified Minerals, as the sole shareholder of Unity following implementation of the Transaction.

Some Unity Shareholders may wish to retain an interest in Unity because they wish to invest in a publicly listed company with the particular profile of Unity (eg. industry, geography, size and other aspects). However, it should be noted that there is no guarantee of future Unity growth due to a number of risks associated with its business, as identified in Section 4.9.

#### **C. You may consider that there is potential for a Superior Proposal to emerge in the foreseeable future**

You may consider that there is a possibility that a Superior Proposal could emerge in the foreseeable future.

However, for the reasons noted below, your Directors consider that the possibility of a Superior Proposal emerging is low:

- since the announcement of the Transaction on 7 December 2015 and up to the date of this Explanatory Booklet, no Competing Proposal has been received;
- the Transaction is the result of a comprehensive strategic review process undertaken by the Unity Board prior to Unity's entry into the Scheme Implementation Agreement, in the course of which the Unity Board reviewed proposals received from interested parties in respect of a number of potential transactions; and
- as at the date of this Explanatory Booklet, Diversified Minerals and its associates hold a relevant interest in 13.66% of all Unity Shares, which may act as a disincentive to any potential proponents of a Superior Proposal.

#### **D. The tax consequences of the Transaction may not be suitable for your financial position**

If the Transaction is approved and implemented, the Total Cash Payments comprising a Capital Return of 1.0 cent cash per Unity Share and the Scheme Consideration of 1.9 cents cash per Unity Share might result in taxation consequences (including potentially crystallising a CGT liability) earlier than expected for some Unity Shareholders, which may reduce the after tax value received.

Unity is in the process of obtaining a Class Ruling from the ATO on behalf of Unity Shareholders to confirm that the Capital Return and the subsequent disposal of Unity Shares represent separate CGT events and that the Capital Return will not be treated as an unfranked dividend for Australian income tax purposes.

Until the ATO Ruling is obtained, there is a risk that the Capital Return may be treated as a dividend. It is expected that the ATO will issue the draft Class Ruling in advance of the Special General Meeting and Scheme Meeting. Following receipt of the draft Class Ruling by Unity, details will be made available via an ASX release.

Once issued in final, a copy of the Class Ruling will be available on the ATO website.

Further information about the tax consequences of the Transaction for Unity Shareholders is set out in Section 6 of this Explanatory Booklet. However, Unity Shareholders should seek their own professional advice regarding the individual tax consequences applicable to them.

### **3.3 Other Considerations**

#### **A. Costs**

Unity has incurred costs in developing the Transaction, including negotiations with Diversified Minerals and other interested parties, retention of advisers, engagement of the Independent Expert and preparation of this Explanatory Booklet.

If the Capital Return and the Scheme are approved and the Transaction is implemented, these costs will effectively be met by Diversified Minerals as the ultimate controller of Unity following implementation of the Transaction.

If the Capital Return and the Scheme are not approved and the Transaction is not implemented, Unity will be required to pay transaction costs of approximately \$1.1 million.

#### **B. Break fee**

Under the Scheme Implementation Agreement, a break fee of \$400,000 may be payable by Unity to Diversified Minerals in certain circumstances.

Please refer to Section 8.6 of this Explanatory Booklet for a summary of the circumstances in which the break fee is payable.

### **3.4 Implications if the Transaction is not implemented**

If the Capital Return and the Transaction are not approved and the Transaction is not implemented:

- Unity Shareholders will retain their Unity Shares and will not receive the Total Cash Payments;
- the Directors consider it likely that the market value of Unity Shares will fall materially below current price levels and the amount of the Total Cash Payments of 2.9 cents per Unity Share;
- while it is possible that the Unity Share price might improve to reach or exceed the amount

of the Total Cash Payments over time, this is uncertain and the Directors are unable to provide any assurance in that regard;

- Unity will be exposed to the risks associated with its projects as described in Section 4.9;
- Unity Shares will remain listed on the ASX; and
- a break fee of \$400,000 may be payable by Unity to Diversified Minerals in the circumstances outlined in Section 8.6 of this Explanatory Booklet.

## **Section 4**

### **Overview of Unity**

## 4 Overview of Unity

### 4.1 Company Overview

Unity was incorporated in 1980 and listed on ASX in 1985 as Bendigo Mining. In 2010, the company changed its name to Unity Mining Limited and is currently listed with the ticker ASX:UML.

Unity acquired:

- the Kangaroo Flat Gold Mine, located in the Bendigo goldfields, from WMC Limited in 1993 (**Bendigo Project**);
- the Henty Gold Mine from Barrick (PD) Australia Limited (**Barrick**) in July 2009; and
- the Dargues Reef Project through its merger with Cortona Resources Limited (**Cortona**) in January 2013.

As at the date of this Explanatory Booklet, Unity owns:

- 100% of the Dargues Reef Project;
- a 70% interest in the Henty Gold Mine, subject to a farm-in agreement with Diversified Minerals; and
- 100% of the Bendigo Project, subject to a contract of sale with GBM Gold Limited (ASX:GBM) (**GBM**).

The location of Unity's assets is shown on the map below:

**Figure 2: Map of Unity's assets**



Source: Unity

As at 31 December 2015, Unity held approximately \$18.5 million in cash<sup>2</sup> and had no debt and no hedging in place.

Unity has a 19.3% equity shareholding in GoldStone Resources Ltd (**GoldStone**), an AIM-listed gold exploration company focussed on West and Central Africa.

The current market value of Unity's investment in GoldStone is approximately \$350,000. GoldStone's main assets constitute some early stage exploration tenements in Ghana.

As at the date of this Explanatory Booklet, Unity had on issue 1,143,084,568 Unity Shares, 1,623,844 Performance Rights, and 43,227,196 Options.

### 4.2 Dargues Reef

#### A. Overview

The Dargues Reef Project forms part of the Majors Creek goldfield, which has yielded in excess of 1.25 million ounces of gold and was the largest alluvial goldfield in New South Wales.

A definitive feasibility study (**DFS**) was commissioned by Cortona in November 2009. The DFS, completed on 20 December 2010, supported the development of a 330,000 tons per annum operation to produce approximately 50,000 ounces of gold per annum over an initial mine life of five years. The DFS evaluated an underground mine, onsite processing of the ore to produce gravity gold and a gold concentrate and offsite cyanide leaching of the concentrate to produce doré.

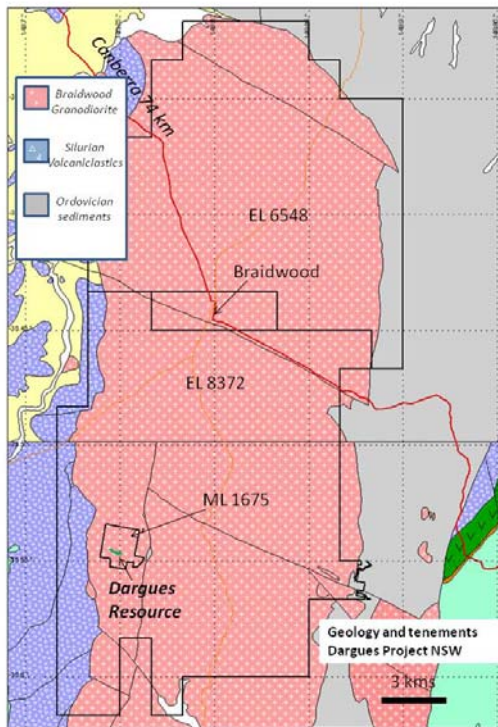
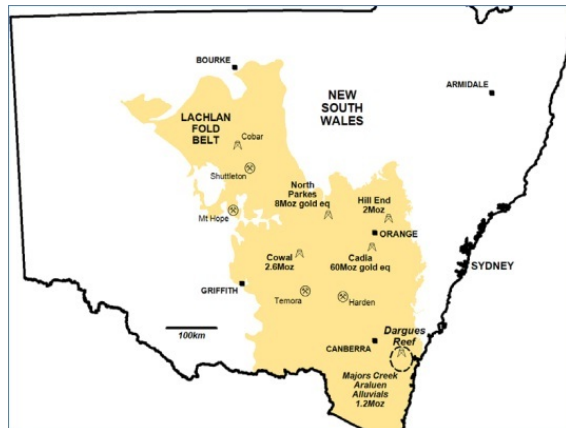
#### B. Location

The Dargues Reef Project is located in New South Wales, approximately 60km south-east of Canberra, 13km south of Braidwood and immediately north of the village of Majors Creek. The project comprises the tenements of EL 8372, EL 6548 and ML 1675.

Unity also has nearby tenements comprising EL6012, EL 8373, EL 8243 and EL 8244, which do not form part of the Dargues Reef Project.

<sup>2</sup> The 31 December 2015 cash balance excludes \$776,000 which corresponds to 30% of the cash held in a rehabilitation bond relating to the Henty Gold Project and which Unity is entitled to following PYBAR's decision to proceed to acquire a 30% stake in Henty pursuant to a farm-in agreement between Unity and Diversified Minerals.

**Figures 3 and 4: Location of the Dargues Reef Project**



Source: Unity

The region hosts a number of large scale deposits, including the Cadia, North Parkes and Lake Cowal porphyry gold-copper deposits and the Captains Flat and Woodlawn volcanogenic massive sulphide deposits. The area covers a significant portion of the Majors Creek (Elrington) goldfield, the Jembaicumbene alluvial goldfield and a portion of the Araluen alluvial goldfield.

### C. Project Summary

Mineralisation of the deposit is contained within discrete sulphide lodes. The lodes are hosted in granite with favourable mining characteristics including lode and grade continuity, a sub-vertical geometry and geotechnical strength. The deposit is open at depth and numerous targets have been identified within two kilometres of the mine.

The key findings of the DFS are set out in the table below.

Studies undertaken since have resulted in the optimisation of the mine development plan to reduce capital and operating costs.

**Table 1 - DFS Key Findings (100% basis)**

| Metric                                     |   |
|--|---|
| Mining rate                                | 330,000 tons per annum  |
| Milling rate                               | 330,000 tons per annum  |
| Head grade                                 | 5.12 g/t Au, 2.34 g/t Ag                                      |
| Recoveries to gravity gold and concentrate | In excess of 95%  |
| Annual production (LOM average)            | c.50,000 ounces   |
| Life of mine                               | 5+ years initially  |
| Development cost                           | \$68 million  |
| Operating costs                            | \$800 per ounce (including royalty and net of silver credits) |

In January 2015, Unity submitted an application to New South Wales Department of Planning and Environment to allow for onsite cyanide treatment of gold concentrate rather than trucking the gold concentrate for offsite processing. Following community and stakeholder feedback, Unity decided not to proceed with the onsite cyanide processing and instead entered into an agreement with Westlime Pty Ltd (**Westlime**) to process the concentrate at Westlime's cyanide leaching processing facilities at Parkes in New South Wales.

The Dargues Reef Project is proposed to comprise:

- an underground mine accessed by a decline. A conventional long-hole open stoping mining method will be used;
- onsite crushing and grinding facilities;
- onsite processing plant designed to extract half the gold through a simple gravity process and to produce by floatation a gold-silver pyrite concentrate containing the other half of the gold and minor amounts of silver;
- onsite run of mine pad, temporary waste rock emplacement, tailings storage facility and associated infrastructure; and
- offsite cyanide leaching facility to recover the gold in the form of doré from the concentrate.

The project is subject to traditional New South Wales State royalty arrangements only.

## D. Mineral Resources and Ore Reserves

Mineral Resources of 1,615,000 tonnes at 6.3g/t gold containing 327,000 ounces of gold and Ore Reserves of 1,389,000 tonnes at 5.12g/t containing 233,000 ounces of gold have been delineated:

**Figure 5: Mineral Resource estimate as at 30 June 2015**

|              | Measured   |            | Indicated  |            | Inferred   |            | Total        |            |            |
|--------------|------------|------------|------------|------------|------------|------------|--------------|------------|------------|
|              | kt         | Au g/t     | kt         | Au g/t     | kt         | Au g/t     | kt           | Au g/t     | Au koz     |
| Transitional |            |            | 2          | 4.0        |            |            | 2            | 4.0        | 0.3        |
| Fresh        | 378        | 7.2        | 816        | 6.8        | 420        | 4.5        | 1,615        | 6.3        | 327        |
| <b>Total</b> | <b>378</b> | <b>7.2</b> | <b>818</b> | <b>6.8</b> | <b>420</b> | <b>4.5</b> | <b>1,615</b> | <b>6.3</b> | <b>327</b> |

Source: Unity

**Figure 6: Ore Reserves estimate as at 30 June 2015**

| Category                 | kt           | Au g/t*     | Ag g/t*     | Au koz     | Ag koz     |
|--------------------------|--------------|-------------|-------------|------------|------------|
| Proven                   | 478          | 5.32        | 2.63        | 81         | 40         |
| Probable                 | 913          | 5.18        | 2.37        | 152        | 70         |
| <b>Proven + Probable</b> | <b>1,389</b> | <b>5.21</b> | <b>2.46</b> | <b>233</b> | <b>-</b>   |
| Inferred                 | 191          | 4.42        | 1.46        | 27         | 9          |
| <b>Total</b>             | <b>1,680</b> | <b>5.12</b> | <b>2.34</b> | <b>260</b> | <b>119</b> |

\* Diluted head grades

Source: Unity

### Notes:

- The deposit mineralisation was constrained by wireframes constructed using a 1 g/t Au cut off grade.
- The block dimensions used in the model were 4m NS by 10m EW by 10m vertical with sub-cells of 0.5m by 1.25m by 1.25m. A high grade Au cut of 50g/t was used in the resource based on a review of the deposit statistics. The exception was resource Object 15 where a 100g/t high grade cut was applied. High grade cuts of 40g/t Ag, 9,000ppm Cu, and 20% S were applied to all mineralised resource zones.
- The Measured portion of the Mineral Resource was predominantly defined by drill spacing of less than 20m by 20m, continuity of mineralisation was robust, and kriging efficiencies were predominantly greater than 75%. This classification was confined to objects 8 and 15 within the Main Lode. The Indicated portion of the Mineral Resource was defined where the drill spacing was less than 30m by 30m and lode continuity was good. Historical underground workings have depleted some areas of the Main Lode (Object 8) and the uncertainty in their exact location has resulted in those areas being classified as Indicated Resource. The Inferred Resource included areas of the resource where sampling was greater than 30m by 30m.
- The Mineral Resource has been reported at a 2 g/t Au cut-off based on assumptions about economic cut-off grades and geological continuity. The Ore Reserves have been reported at a 3 g/t Au cut-off.
- There are no known environmental, permitting, legal, taxation, political or other relevant issues

that would materially affect the estimates of the Mineral Resources.

- Due to round of figures, small discrepancies may exist.

## E. Status

The Dargues Reef Project has received the required State, Federal and Local Government approvals for the construction and development of the underground gold mine and off-site processing.

Unity is in the process of finalising required New South Wales State Government approvals relating to the extension of the mining lease terms beyond 2018, and for a small number of operational changes. Final approval is expected by the end of March 2016.

Construction of the access road, run of mine pad and box cut is complete.

Construction at the Dargues Reef Project could resume within weeks of a decision to proceed and production could commence within 15 months.

## 4.3 Henty

### A. Overview

The Henty Gold Mine commenced production in 1996 and was acquired by Unity from Barrick in July 2009 with six months' mine life at the time. Since then, Unity has steadily increased Mineral Resources and Ore Reserves resulting in average production of approximately 50,000 ounces per annum from 1 January 2010 to 30 November 2015 when the mine was placed onto care and maintenance.

Two royalty agreements affecting the Henty Gold Mine were restructured and restated on 12 October 2015. Under these arrangements, Unity agreed to pay Franco Nevada Corporation a 1% royalty on gold and other precious metals from the mining leases (ML 7M/1991, ML7M/2006, ML 5M/2002) and exploration licences EL 28/2001, EL 8/2009, EL 11/2010 and EL 13/2011.

Since commencement, the Henty Gold Mine has yielded gold production in excess of 1.3 million ounces.

The mine and its associated processing and infrastructure assets are subject to a farm-in agreement with Diversified Minerals as described in Section 4.3E.

### B. Location

The Henty Gold Mine is located 10km south of Rosebery, in the mineral rich Mt Read Volcanic Belt on the West Coast of Tasmania. The Henty Gold Project covers three mining leases (ML 7M/1991, ML7M/2006, ML 5M/2002) covering a total area of 160km<sup>2</sup> of contiguous land holdings centred around the Henty Fault.



**Figure 7: Location of the Henty Gold Mine**



Source: Unity

### C. Project Summary

The Henty Gold Mine is mined from underground using longhole bench stoping, transverse open stoping and flatbacking (cut and fill) methods. Access to the mine is via shaft and decline. Ore is processed in a conventional 300,000tpa carbon in leach (CIL) processing plant which incorporates a gravity circuit and recovers approximately 90% of the gold.

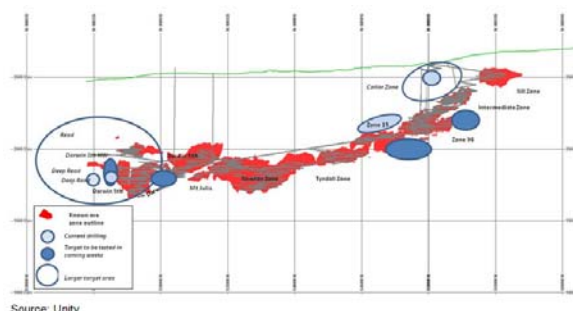
In July 2014, Unity announced that it had undertaken a detailed review of mineral inventory and life of mine production schedule. Unity determined that the best economic outcome was to focus on maximising cash generation through the recovery of the remaining high confidence and higher margin reserves. Accordingly, reserves were depleted and the mine was placed on a care and maintenance program on 30 November 2015.

Activity at the mine now revolves around exploration drilling undertaken through a farm-in agreement (described in Section 4.3E. below) with Diversified Minerals. Approximately 20 Unity employees support Diversified Minerals exploration activities. The rest of the workforce has been made redundant and the related redundancy payments have been made.

Diversified Minerals has been operating three drill rigs, 24 hours a day, seven days a week for approximately three months.

All relevant drilling results obtained by Unity as at the date of this Explanatory Booklet have been released to ASX, the most recent on 25 January 2016.

**Figure 8: Long Section of the Henty Gold Mine (Looking West)**



Source: Unity

### D. Mineral Resources and Ore Reserves

Mineral Resources of 1,439,000 t at 4.5 g/t gold and 208,000 Oz gold. The resource wireframes used in the resource statement of 30 June 2015 were depleted to account for the mining that took place between 30 June 2015 and the end of mining at Henty at 30 November 2015. The updated resource, which has been estimated using a cut-off of 2 g/t gold is shown in the table below.

**Figure 9: Mineral Resources estimate at 30 November 2015**

| Henty Gold Mine Mineral Resources Estimate at 30 November 2015 |            |            |               |            |            |           |            |            |           |              |            |
|--|------------|------------|---------------|------------|------------|-----------|------------|------------|-----------|--------------|------------|
|  | Measured   |            |               | Indicated  |            |           | Inferred   |            |           | Total        |            |
|  | kt         | g/t gold   | koz           | kt         | g/t gold   | koz       | kt         | g/t gold   | koz       | kt           | g/t gold   |
| Darwin S4  | 313        | 5.1        | 51            | 11         | 6          | 2         | 15         | 8.4        | 4         | 338          | 5.2        |
| Mount Jul  | 166        | 4.3        | 23            | 168        | 4.2        | 22        | 43         | 4.3        | 6         | 377          | 4.2        |
| Newton   | 266        | 3.9        | 34            | 188        | 3.9        | 23        | 42         | 4.1        | 5         | 496          | 3.9        |
| Read   |            |            |               | 20         | 5.0        | 3         | 19         | 5.3        | 3         | 39           | 5.1        |
| Zone 15  |            |            |               |            |            |           | 174        | 5.1        | 28        | 174          | 5.1        |
| Zone 96  | 15         | 6.2        | 3             |            |            |           |            |            |           | 15           | 6.2        |
| <b>Total</b>   | <b>760</b> | <b>4.5</b> | <b>111.09</b> | <b>386</b> | <b>4.1</b> | <b>51</b> | <b>293</b> | <b>4.9</b> | <b>46</b> | <b>1,439</b> | <b>4.5</b> |

Source: Unity

### Notes:

- All tonnages reported are dry metric tonnes. Minor discrepancies may occur due to rounding to appropriate significant figures.
- Mineral Resource cut-off of 2.0 g/t gold have been estimated using a gold price of \$1,450 per ounce.
- The Mineral Resource estimation has used diamond drill core samples. All samples were composited to 1 metre, flagged within the geological wireframes and top cuts applied to all datasets. Ordinary kriging was performed on all models based on the quantity and spacing of available data and the style of mineralisation. An in-situ bulk density of 2.8 based on 102 samples collected from ROM pad and underground development was used in the estimation. The Mineral Resource classifications were based on the estimation search pass. As a guide, the first search pass has been considered a Measured Resource, the second pass has been considered an Indicated Resource and the third search pass has been considered an Inferred Resource.

### E. Diversified Minerals Farm-in Agreement and Joint Venture Agreement

On 27 April 2015, Unity entered into a farm-in agreement with Diversified Minerals that will see up to \$5 million spent on mine exploration at the Henty Gold Mine over 18 months. Under the agreement, Diversified Minerals will fund an exploration drilling

program across three stages, and in return earn up to a 50% interest in a joint venture formed to own the Henty Gold Mine, including the project tenements ML 7M/1991, ML7M/2006 and ML 5M/2002 (**Joint Venture**).

To achieve a 50% interest in the Joint Venture, Diversified Minerals must notify Unity in writing setting out which exploration tenements it wishes to earn an interest in, contribute up to 50% of an agreed exploration budget and pay Unity an amount for past exploration expenditure according to a formula set out in the farm-in agreement.

As at the date of this Explanatory Booklet, Diversified Minerals has completed Stages 1 and 2 of the farm-in. The three Stages are as follows:

- Stage 1: \$1 million of drilling expenditure to be completed by 30 September 2015;
- Stage 2: a further \$1.5 million of drilling expenditure to be completed by 31 December 2015 (subsequently extended) following which Diversified Minerals has the option to acquire a 30% interest in the Joint Venture; and
- Stage 3: a further \$2.5 million of drilling and development expenditure to be completed by 30 September 2016, following which Diversified Minerals has the option to acquire a further 20% interest in the Joint Venture.

Stage 2 was completed on 14 January 2016 and on 4 February 2016 the parties entered into a joint venture agreement, tenement transfer documents and royalty assumption deed to facilitate the transfer of a 30% interest in the Joint Venture to Diversified Minerals. The transfer documents were lodged with the State Government on 9 February 2016 and the transfer is expected to be completed by the end of March 2016.

Upon registration Diversified Minerals will provide security for 30% of the Henty rehabilitation bond (approximately \$776,000) and an equivalent amount will be returned to Unity.

The joint venture agreement provides for the establishment of a management committee to oversee the operations of the Joint Venture. Decisions of the Joint Venture are determined by majority vote, with each Joint Venture party having the number of votes equal to its interest in the Joint Venture, subject to certain material matters which require the unanimous consent of Unity and Diversified Minerals. Unity is the manager of the Joint Venture.

Diversified Minerals also has a pre-emptive rights over the remaining 50% interest in the Henty Gold Mine in the event of a binding third party offer. The pre-emptive right is not triggered by the Transaction.

Additionally, the farm-in agreement provides PYBAR with a matching right on all mining contracting services to be provided to Unity in relation to the Henty Gold Mine.

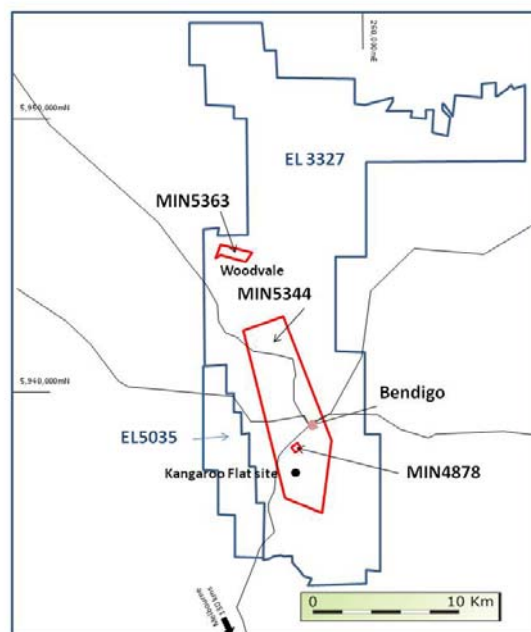
#### 4.4 Bendigo

##### A. Location

The Bendigo Project is located in and around the town of Bendigo, Victoria. The assets consist of the

underground Kangaroo Flat Mine and a 600,000 tpa processing plant and associated infrastructure. The project is operated under two mining leases (MIN 5344 and MIN 5364) and two exploration licences (EL5035 and EL3327).

**Figure 10: Location of the Bendigo Assets**



Source: Unity

The Bendigo Goldfield is Australia's second largest in terms of historical production having yielded some 22 million ounces of gold from 1851 to the closure of the last underground mine in 1954.

##### B. Project Summary

A feasibility study completed in 2004 supported the economic feasibility of re-commencing gold production from the southern end of the goldfield. Underground development recommenced in late 2004 and the construction of a 600,000 tpa processing plant was completed in October 2006. Commissioning occurred in the September 2006 quarter, with commercial production declared in the December 2006 quarter.

Early production results showed that the potential of the mining areas which were the focus at the time, Sheepshead and Deborah Lines, had been overestimated. The mining strategy was adapted to target the more productive areas at the southern end of the goldfield. The project yielded production of 36,927 ounces in the year ended 30 June 2009 and 36,649 ounces in the year ended 30 June 2010, compared to the 120,000 ounces a year initially contemplated. In April 2011, Unity announced that the project would be placed in care and maintenance because exploration success had not kept pace with production. The 600,000 tpa processing plant remains on site.



## C. GBM Sale Agreement

On 17 September 2015, Unity announced that it had entered into a sale and purchase agreement for the sale of the Bendigo Project to GBM. Under the agreement, GBM will take ownership of the assets of the project comprising the processing plant, equipment and associated facilities, mining and exploration tenements and freehold land. GBM will also assume responsibility for the Bendigo Project rehabilitation liabilities. Unity has rights to receive the equivalent of the rehabilitation bonds (i.e. \$5.63 million) over three years. Once the sale to GBM completes, there will be no recourse to Unity should GBM fail to meet its rehabilitation obligations.

Upon execution of the agreement, GBM paid an upfront fee of \$100,000. The next stages of the agreement are:

- Completion:
  - \$1.0 million in cash to be paid by GBM to Unity;
  - Unity to assign to GBM the \$5.63m of cash held in collateral bonds; and
  - GBM to assume the rehabilitation liabilities relating to the Bendigo Project,
- First anniversary of completion:
  - GBM to pay Unity \$1.0 million in cash;
  - Second anniversary of completion: GBM to pay Unity \$1.8 million in cash; and
  - Third anniversary of completion: GBM to pay Unity \$1.83 million in cash.

The anniversary payments are accelerated if GBM realises value from certain assets.

The status of the GBM sale agreement as at the date of this Explanatory Booklet is:

- GBM received shareholder approval for the acquisition of the Bendigo Project on 28 October 2015;
- GBM announced on 30 November 2015 that it had entered into a line of credit facility which will allow GBM to meet any financial capacity obligations in relation to the purchase of the Bendigo Project;
- Tenement transfer applications for all the Bendigo mining licences and exploration leases were submitted to the Victorian Department of Economic Development, Jobs, Transport and Resources during December 2015. The department is undertaking its customary review of the applications.
- Completion was initially planned on or before 31 October 2015. Unity and GBM agreed to extend the end date for completion to 31 December 2015 to allow for all required government approval processes (for Unity and GBM) to complete.
- A further extension of time was agreed on 21 December 2015 while the adequacy of the rehabilitation bond is being audited at the request of the Department, and Unity and GBM now

expect the transaction to complete on or prior to 29 February 2016.

## D. Management of Groundwater


Unity provides access to sections of its pipeline infrastructure to the Victorian Department of Environment, Land, Water and Planning (DELWP) to allow the DELWP to actively manage Bendigo's groundwater. The term of the agreement has recently been extended and both Unity and GBM have committed to continue to assist DELWP.

## 4.5 Exploration

### A. Tasmania

Unity has a large and prospective tenement package covering a total of 421km<sup>2</sup> over six contiguous exploration leases in northwest Tasmania. The tenements are located along the Henty Fault, on the Mt Read Volcanic Belt. The farm-in agreement provides Diversified Minerals with a right to earn up to a 50% interest in the exploration tenements (as described in Section 4.3.E).

**Figure 11: Summary of Unity's Tasmanian Exploration tenements**

| Tenement                   | Details   | Location  |
|----------------------------|---|---|
| EL 28/2001 (Tyndall Creek) | <ul style="list-style-type: none"> <li>Located south, and contiguous to, the Henty Mine leases</li> <li>Covers the southern extension of the favoured horizons, including the Central Volcanic Complex – Tyndall Group contact</li> <li>Two c. 700m diamond drill holes planned to test:               <ul style="list-style-type: none"> <li>the Tyndall Creek gold zone where previous holes have intersected gold grades up to 5g/t</li> <li>the continuation of the Read Horizon</li> </ul> </li> </ul> |  |
| EL 8/2009 (Red Hills)      | <ul style="list-style-type: none"> <li>Close proximity to the Henty fault, considered to be an equivalent of the Henty horizon</li> <li>One shallow hole planned to test the potential at the northern end of the tenement               <ul style="list-style-type: none"> <li>system becomes more structurally deformed and there is evidence of alteration</li> <li>recent rock chip sampling have returned values up to 33.3g/t Au and 12.25% Cu</li> </ul> </li> </ul>                                 |   |
| EL 11/2010 (Tullah/Moxon)  | <ul style="list-style-type: none"> <li>Covers 17km of the Henty fault</li> <li>One helicopter-supported drill hole planned in the Moxon area</li> </ul>   |   |
| EL 13/2011 (Henty River)   | <ul style="list-style-type: none"> <li>Provides further exposure to the North Henty and South Henty faults</li> <li>Minimal mapping and soil sampling planned</li> </ul>  |   |

Source: Unity

As described in Section 4.3.A, Unity has entered into a royalty restructure in relation to the Tasmanian assets under which it has agreed to pay Franco Nevada Corporation a 1% royalty on gold and other precious metals won from the exploration tenements.

### B. New South Wales

Unity holds tenements covering approximately 720km<sup>2</sup> of highly prospective Lachlan Fold Belt ground providing exposure to the Braidwood Granodiorite geology. These tenements offer substantial regional exploration upside but minimal exploration has been undertaken to date.

**Figure 12: Location of Unity's New South Wales Tenements**



Source: Unity

#### 4.6 Board of directors

As at the date of this Explanatory Booklet, the Board of Unity comprised:

- Mr Clive Jones - Non-Executive Chairman  
B.App.Sc (Geol), M.AusIMM

Mr Jones has been involved in the minerals industry for 25 years and has worked on the exploration for and development of projects covering a range of commodities including gold, base metals, uranium, mineral sands, iron ore and industrial minerals both in Australia and overseas. His experience covers both corporate and technical roles at senior management level.

Mr Jones is currently Joint-Managing Director of Cazaly Resources Ltd, a Non-Executive Director of Bannerman Resources Ltd and is Non-Executive Chairman of Corazon Mining Limited. All of these companies are currently listed on the Australian Stock Exchange whilst Bannerman is also jointly listed on the Toronto and Namibian Stock Exchanges.

He joined the Unity Board in January 2013 as Non-Executive Chairman and is also a member of the Company's Remuneration & Nomination Committee, Health, Safety and Environment Committee and Audit & Risk Management Committee.

- Mr Frank Terranova - Acting Managing Director  
FCA, CFTP (Snr), B.Com

Mr Terranova has extensive global experience in corporate finance and executive management. He held senior roles in a number of organisations including Normandy Mining Limited and Queensland Cotton Limited. He later became Chief Financial Officer and ultimately Managing Director of Allied Gold PLC which was subsequently acquired by St Barbara Limited in 2012. He was Managing Director of Polymetals Mining Limited and led its transformation through a merger with Southern Cross Goldfields Limited in 2013 and oversaw the combined group's recapitalisation program. He is currently Non-Executive Chairman of Taruga Gold Limited and Minquest Limited. Mr. Terranova is a Fellow of the Institute of Chartered Accountants of Australia and

New Zealand.

- Mr Gary Davison - Non-Executive Director  
Dip Min Eng., MSc (MEE), FAusIMM

Mr Davison is a highly experienced Mining Engineer with over 35 years worldwide experience in the mining industry and is the Managing Director of the mining consultancy, Mining One Pty. Ltd. He has worked for a variety of clients, worldwide, demonstrating success in mining operations especially in difficult cost environments. He was a Non-Executive Director of Lightning Nickel Pty. Ltd., the nickel operating arm of Independence Group NL, from 2004 to 2012, and until recently was a Non-Executive Director of Kasbah Resources Ltd.

He joined the Unity Board in September 2013 and is also a member of the Company's Audit & Risk Management Committee, Remuneration & Nomination Committee and Chairman of the Company's Health, Safety and Environment Committee.

#### 4.7 Historical Financial Performance

The following selected financial data for Unity is extracted from the audited consolidated financial statements of Unity and its controlled entities for the year ended 30 June 2015 and the audit reviewed financial statements of Unity and its controlled entities for six months ended 31 December 2015.

Unity Shareholders may view complete copies of the audited financial statements of Unity for the year ended 30 June 2015 and the audit reviewed financial statements of Unity and its controlled entities for the six months ended 31 December 2015 on ASX's website at [www.asx.com.au](http://www.asx.com.au) or on the "Investors" section of the Unity website at [www.unitymining.com.au](http://www.unitymining.com.au).

The Unity Financial Reports for the year ended 30 June 2015 and the six months ended 31 December 2015 were released to ASX on 26 August 2015 and 10 February 2016, respectively. These reports contain details on the accounting policies used by Unity. Unity Shareholders may obtain a printed copy of these reports free of charge by contacting the Unity Shareholder information line on 1300 082 130 (within Australia) or +61 2 8016 2884 (outside Australia).

## A. Consolidated statement of comprehensive income

Set out below is Unity's audited consolidated statement of comprehensive income for the financial year ended 30 June 2015 and audit reviewed statement of comprehensive income for the six months ended 31 December 2015:

|   | Consolidated<br>Full year to<br>30 June 2015<br>\$'000 | Consolidated<br>Six months to<br>31 December 2015<br>\$'000 |
|---|--|---|
| <b>SALES REVENUE</b>                                    | <b>77,579</b>  | <b>20,886</b>   |
| <b>COST OF SALES</b>                                    |  |   |
| Costs of Mining, processing and site administration     | (49,014)   | (14,348)  |
| Depreciation and amortisation                           | (5,116)  | (510)   |
| <b>TOTAL COST OF SALES</b>                              | <b>(54,130)</b>  | <b>(14,858)</b>   |
| <b>GROSS PROFIT/(LOSS)</b>                              | <b>23,449</b>  | <b>6,028</b>  |
| Interest and other revenue                              | 695  | 358   |
| Exploration expenses                                    | (1,799)  | (808)   |
| Corporate expenses                                      | (5,185)  | (4,279)   |
| Legal settlement claim                                  | (1,782)  | -   |
| Finance costs   | (14)   | -   |
| Employee redundancy expenses                            | (6,839)  | 251   |
| Share of loss of associate                              | (118)  | -   |
| Impairment expense – financial assets                   | (785)  | (234)   |
| Impairment expense – mine property, P&E                 | (2,465)  | (10,893)  |
| Loss on sale of assets                                  | (252)  | 50  |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                         | <b>4,905</b>   | <b>(9,527)</b>  |
| Income tax expense                                      | -  | -   |
| Profit/(Loss) for the year from continuing operations   | 4,905  | (9,527)   |
| Profit/(Loss) for the year from discontinued operations | (5,470)  | (155)   |
| <b>PROFIT/(LOSS) AFTER TAX</b>                          | <b>(565)</b>   | <b>(9,682)</b>  |
| Other income  | 78   | (78)  |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>   | <b>(487)</b>   | <b>(9,760)</b>  |

## B. Consolidated statement of financial position

Set out below is Unity's audited consolidated statement of financial position as at 30 June 2015 and audit reviewed consolidated statement of financial position as at 31 December 2015:

|   | Consolidated<br>As at<br>30 June 2015<br>\$'000 | Consolidated<br>As at<br>31 December 2015<br>\$'000 |
|---|---|---|
| <b>Current Assets</b>                                     |   |   |
| Cash  | 28,461  | 18,093  |
| Receivables   | 3,430   | 471   |
| Inventories   | 2,789   | -   |
| Prepayments   | 356   | 213   |
| Other assets  | 6,306   | 6,034   |
| Assets classified as held for sale                        | -   | -   |
| <b>Total Current Assets</b>                               | <b>41,342</b>                                   | <b>24,811</b>                                       |
| <b>Non Current Assets</b>                                 |   |   |
| Investment in associates                                  | -   | -   |
| Other financial assets                                    | 3,966   | 3,966   |
| Mining property, plant and equipment                      | 23,471  | 12,431  |
| Exploration and evaluation                                | -   | -   |
| <b>Total Non Current Assets</b>                           | <b>27,437</b>                                   | <b>16,397</b>                                       |
| <b>Total Assets</b>                                       | <b>68,779</b>                                   | <b>41,208</b>                                       |
| <b>Current Liabilities</b>                                |   |   |
| Payables  | 7,988   | 3,492   |
| Interest bearing liabilities                              | 50  | 28  |
| Provisions  | 8,386   | 566   |
| Liabilities directly associated with assets held for sale | 5,710   | 5,710   |
| <b>Total Current Liabilities</b>                          | <b>22,134</b>                                   | <b>9,796</b>  |
| <b>Non Current Liabilities</b>                            |   |   |
| Interest bearing liabilities                              | 27  | 14  |
| Provisions  | 3,381   | 3,393   |
| <b>Total Non Current Liabilities</b>                      | <b>3,408</b>                                    | <b>3,407</b>  |
| <b>Total Liabilities</b>                                  | <b>25,542</b>                                   | <b>13,203</b>                                       |
| <b>Net Assets</b>   | <b>43,237</b>                                   | <b>28,005</b>                                       |
| <b>Equity</b>   |   |   |
| Issued capital  | 456,074   | 450,450   |
| Reserves  | 2,286   | 2,360   |
| Accumulated losses  | (415,123)                                       | (424,805)   |
| <b>Total Equity</b>                                       | <b>43,237</b>                                   | <b>28,005</b>                                       |

## C. Consolidated statement of cash flows

Set out below is Unity's audited consolidated statement of cash flows for the financial year ended 30 June 2015 and audit reviewed consolidated statement of cash flows for the six months ended 31 December 2015:

|   | Consolidated<br>Full year to<br>30 June 2015<br>\$'000 | Consolidated<br>Six months to 31<br>December 2015<br>\$'000 |
|---|--|---|
| <b>Cash Flows from Operating Activities</b>                             |  |   |
| Receipts from customers   | 82,501   | 27,913  |
| Interest and other revenue received                                     | 659  | 614   |
| Payment to suppliers and employees                                      | (61,584)   | (32,087)  |
| Interest paid   | (14)   | -   |
| <b>Net cash used provided by operating activities</b>                   | <b>21,562</b>  | <b>(3,560)</b>  |
| <b>Cash Flows From Investing Activities</b>                             |  |   |
| Payments for mine, property, plant & equipment exploration & evaluation | (1,796)  | (1,143)   |
| Payments for held to maturity investments                               | (61)   | -   |
| Proceeds from financial assets  | 1,939  | (40)  |
| Proceeds from sale of assets  | 343  | 82  |
| <b>Net cash used in investing activities</b>                            | <b>425</b>   | <b>(1,101)</b>  |
| <b>Cash Flows from Financing Activities</b>                             |  |   |
| Payments for share buyback  | -  | (5,672)   |
| Repayment of lease liabilities  | (309)  | (35)  |
| <b>Net cash from / (used in) financing activities</b>                   | <b>(309)</b>   | <b>(5,707)</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b>             | <b>21,678</b>  | <b>(10,368)</b>   |
| Cash at the beginning of the year                                       | 6,783  | 28,461  |
| <b>Cash at the end of the financial year</b>                            | <b>28,461</b>  | <b>18,093</b>   |

## 4.8 Material Changes to Unity's Financial Position since 31 December 2015

To the best of the Directors' knowledge, the financial position of Unity has not materially changed since 31 December 2015, being the date of the Unity half year report for the six months ended 31 December 2015.

## 4.9 Risks to Unity

The risks in this Section are existing risks relating to Unity's business and projects and the sector in which it operates. These risks will only continue to be relevant to Unity Shareholders if the Transaction does not proceed and Unity Shareholders retain their current investment in Unity. If the Transaction proceeds and Unity Shareholders receive the Scheme Consideration in exchange for their Unity Shares and the Capital Return, they will no longer be exposed to these risks, as they will cease to be Unity Shareholders.

### Specific risks

#### A. Extension to the Dargues Reef Mining Approval is not received

Unity is currently in the process of seeking final approvals for the remaining requested changes to Modification 3, which if approved will allow for the development of the Dargues Reef Project to commence (subject to securing required funding).

These final approvals comprise the following specific items:

- an amendment to the defined project site to accommodate the recently purchased "Slings" property;

- a minor increase to the total resource to be extracted and associated extension of the life of the mine;
- construction and use of the Eastern Waste Rock Emplacement;
- construction and use of a vehicle crossing over Spring Creek to permit direct access between the box cut and the Tailings Storage Facility and proposed Eastern Waste Rock Emplacement; and
- a range of minor adjustments to the existing conditions to further clarify the intent of the conditions.

From discussions with NSW Government, Unity currently anticipates that these remaining approvals will be received by around 31 March 2016.

Should these approvals not be received, it may place Unity in a position where it is unable to proceed with the development of the Dargues Reef Project, or alternatively force Unity to proceed with the development of the Dargues Reef Project in an alternative manner which would be likely to have a materially negative impact on the economics of the Dargues Reef Project.

Should these approvals be received significantly later than 31 March 2016, Unity would incur significant additional holding costs which would have a negative impact on the economics of the Dargues Reef Project.

#### **B. The Dargues Reef community hampers the development of the Project**

Unity received strong community and stakeholder objections to its application to enable cyanide processing of concentrate at the site. Unity's decision to not proceed with cyanide processing at Dargues Reef is expected to alleviate the concerns of the local communities and relevant stakeholders with regards to onsite cyanide processing.

However, there is a risk that community and stakeholder relations will continue to adversely impact Unity's ability to develop the Dargues Reef mine and construct the appropriate processing facilities. This could result in further delays in the development of the project, and at worst, a decision not to proceed with the development of the project.

#### **C. The Bendigo Sale Agreement does not complete**

The sale of the Bendigo assets to GBM is expected to complete on or before 29 February 2016.

GBM shareholder approval has been received and GBM has advised Unity that it has secured the required funding.

The agreement remains subject to the approval by the Victorian Department of Economic Development, Jobs, Transport and Resources which is currently undertaking its customary review of the tenement transfer applications for all the Bendigo mining licences and exploration leases.

There is a risk that the Department will not agree to the transfer of the mining licences and exploration leases

to GBM in which case the GBM sale agreement will be terminated.

In that case, Unity would retain ownership of the Bendigo assets and ultimately would be responsible for the rehabilitation of the assets.

#### **D. The Bendigo Sale Agreement completes but anniversary payments are not received**

The sale of the Bendigo assets to GBM is expected to complete on or before 29 February 2016. Under the Bendigo Sale Agreement, Unity has the right to receive a further \$4.63 million over three years. There is a risk that GBM will not comply with the terms of the Bendigo Sale Agreement and that Unity will not receive the full \$4.63 million. While Unity would have the right to pursue legal action against GBM to recover any unpaid amount, Unity may not recover the full amount.

### **General risks**

#### **A. Share Market Conditions**

The prices at which Unity Shares trade on the ASX rise or fall in response to a number of factors affecting the market for equities in general. These factors may be unpredictable and unrelated or disproportionate to the operating performance or the underlying performance of Unity as a listed entity. Such factors include changes in the general economic outlook, interest and inflation rates, investor sentiment, the demand for and supply of capital and legislative, regulatory and sovereign risk.

The Directors are not able to offer any assurance about the future prospects of Unity or the Unity Share price. Nor can the Directors provide assurance about when, if ever, the Unity Share price might reach the price per Unity Share offered as Total Cash Payments pursuant to the Transaction.

The Unity Board considers that if the Transaction does not proceed, it is likely that in the near term, the Unity Share price will fall below current levels and materially below the amount of the Total Cash Payments. The Unity Board also considers that if the Transaction does not proceed, Unity Shares may trade at a substantial discount to Unity's underlying asset value over time reflecting Unity's diminishing cash position and need to raise additional capital in order to fund the development of its assets.

#### **B. Financing Risk**

Despite Unity amending its development approach on the Dargues Reef Project, both the capacity to fund its development and the absolute time frames to conclude all regulatory processes remain uncertain.

With revenue no longer being generated at Henty Unity's cash position will decrease moving forward. Future potential capital requirements for exploration and development at both Henty and Dargues exceed the company's current cash balance.

Capital markets remain challenging for the junior resource sector, particularly for those without cash flow. The terms of procuring further development capital would likely result in substantial shareholder dilution for existing Unity Shareholders.

Unity's ability to secure funding in amounts sufficient to meet its financial needs could be adversely affected by many factors beyond its control, including, but not limited to, economic conditions and the state of the capital markets. If Unity is unable to raise the necessary funds, it will have to revise its planned capital expenditure and may be required to reduce the scope of its anticipated activities.

### **C. Environmental Risk**

Mining operations have inherent risks and liabilities associated with the environment and the disposal of waste produced as a result of mineral production. Mining and processing of gold ores is subject to risks and hazards, including environmental hazards, industrial accidents, delays in production and increased production costs, each of which could result in liability to Unity.

Such incidents may also result in a breach of the conditions of mining agreements or other consent or permit or relevant regulatory regimes, with consequent exposure to enforcement procedures, including possible revocation of licences, consents or permits.

### **D. Operational Risks**

Operational difficulties may impact the amount of gold produced at Unity's gold mines, delay gold deliveries or increase the cost of mining for a varying length of time. Such difficulties include, but are not limited to, weather (including flooding) and natural disasters, geotechnical issues, failure to convert Resources to Reserves as expected, failure to delineate additional Resources and Reserves, unexpected maintenance or technical problems, failure of key equipment, depletion of Reserves, increased or unexpected reclamation costs and interruptions due to transportation delays.

These unforeseen geological and operating difficulties could cause a loss of revenue due to lower production than expected, higher operating and maintenance costs and/or ongoing unplanned capital expenditure to meet gold production targets.

A failure to obtain access (whether under a contractual arrangement or otherwise) to an adequate supply of capital equipment or consumables for use in the operations could result in delays to the commencement of operations at the Dargues Reef project, and/or reduced production rates, and/or increased costs.

It is common in new mining operations to experience unexpected problems and delays during development, construction and mine start-ups which delay the commencement of mineral production.

Accordingly, there is no assurance that Unity's future exploration and development activities will develop into profitable mining operations.

### **E. Exploration Risk**

The mining operations of Unity are at various stages of exploration and development, and investors should understand that mining operations have inherent risks. There can be no assurance that mining exploration will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

Unity's exploration and mining activities may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of Unity.

The success of Unity will also depend upon it having access to sufficient development capital, being able to maintain title to its tenements and obtaining all required approvals for its activities.

Accordingly, there is no assurance that Unity's future exploration and development activities will develop into profitable mining operations.

### **F. Production and capital costs**

Unity's business operations and financial conditions may vary with fluctuations in production and capital costs.

Changes in the costs of Unity's mining and processing operations as well as its capital costs could occur as a result of unforeseen events, including international and local economic and political events (including movement in exchange rates), and could result in changes in Reserve estimates.

In past resource cycles, operating and capital costs have tended to increase as commodity prices have increased. Thus, Unity may be faced with higher than currently expected operating and capital costs in the future.

### **G. Resources and reserves**

The quantity of gold (in terms of both ore tonnages and gold grade) that Unity recovers may be less than the estimates included in this Explanatory Booklet. Resource and Reserve estimates (including those contained in this Explanatory Booklet) are stated in accordance with the JORC Code and are expressions of judgement based on knowledge, experience and industry practice. Such estimates are expressions of judgement based on drilling results, past experience with mining properties, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Mineral Resource and Ore Reserve estimation is an interpretive process based on available data and thus estimations may prove to be inaccurate. The actual quality and characteristics of mineral deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop resources.

### **H. Litigation Risk**

All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of litigation, the litigation process could become a burden on management and the resolution of any particular legal proceedings to which Unity may become subject could have a material adverse effect on Unity's financial position.

## **I. General Economic Factors and Investment Risks**

General economic conditions may affect inflation and interest rates, which in turn may impact upon Unity's operating costs and financing. Other factors that may adversely affect Unity's activities include changes in government policies, natural disasters, industrial disputes, and social unrest or conflict locally or more widespread.

### **J. Shortage of skilled labour**

A shortage of skilled labour in the Australian mining industry could result in Unity having insufficient employees or contractors to operate its business, which could adversely affect Unity's business, results of operations and financial condition. Similarly, industrial action by Unity employees or mining contractors' employees could disrupt operations.

### **K. Exchange Rate Risk**

The price of gold is set in international markets and is generally denominated in US dollars. Most of Unity's operating costs are denominated in Australian dollars.

If the Australian dollar strengthens in value relative to the value of the US dollar, then, Unity's financial results may be adversely affected due to the resultant lower Australian dollar receipts. Unity will therefore be exposed to foreign exchange rate risk, which could impact its financial position and/or performance. While such currency movements can be hedged by Unity to an extent, they will be largely outside Unity's control.

### **L. Licences and permits**

Mining companies must obtain numerous permits issued by various government agencies and regulatory bodies that impose strict regulations on various environmental and safety matters in connection with gold mining. The permitting rules are complex and may change over time, making Unity's ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. Private individuals and the public have certain rights to comment upon and otherwise engage in the permitting process, including through court intervention.

Accordingly, the permits Unity needs may not be issued, maintained or renewed, may not be issued or renewed in a timely fashion, or may involve requirements that restrict Unity's ability to conduct its mining operations. An inability to conduct Unity's mining operations pursuant to applicable permits would reduce its production, cash flow, and profitability. Another factor affecting future developments is successfully obtaining the grant of mining leases to recover gold from current or future exploration projects. No assurance can be given that current or future development and exploration will lead to mining operations.

### **M. Commodities Price Fluctuation Risk**

The market pricing of mining and resources commodities, including base and precious metals can fluctuate widely and are affected by numerous factors beyond the control of Unity, such as industrial and retail supply and demand, exchange rates, inflation

rates, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events.

Changes in the market pricing of mining and resources commodities, including base and precious metals may significantly impact on the cash flows and profitability of Unity. Low base and precious metal prices may have a materially adverse effect on Unity's cash flows, profitability and share price. It is not possible to accurately predict future movements in commodity and metal prices. Specifically, Unity's possible future revenues will likely be derived from gold sales. Gold may be subject to significant price fluctuations and this could have a material impact on both the value of Unity's assets and Unity Shares. If the market price of gold were to fall below the costs of production and remain at such a level for any sustained period, Unity may curtail or suspend some or all of its potential future exploration and/or mining activities.

### **N. Planning and Environmental Approval Risk**

Mining companies must obtain numerous permits, licences and approvals issued by various governmental agencies and regulatory bodies that impose strict regulations on various environmental and safety related matters in connection with mining. The permitting rules are complex and may change over time, making Unity's ability to comply with the applicable requirements more difficult or even impossible, thereby precluding continuing or future mining operations. Unity may be unable to obtain and renew permits and licences necessary for its operations.

Private individuals and the public have certain rights to comment upon and otherwise engage in the developmental and environmental approval and permitting process, including through public submissions and court intervention. Accordingly, the permits that Unity needs for its operations may not be issued, maintained or renewed, may not be issued or renewed in a timely fashion, or may involve requirements that restrict Unity's ability to conduct its mining operations.

Environmental issues raised by non-government organisations, environmentalists or any other stakeholders may significantly influence the relevant authorities' consideration of the appropriateness of any developmental or environmental approval or licence. This may result in the relevant authority rejecting an application, imposing onerous terms or requiring new or additional studies to be carried out in relation to the impact of the operations, including environmental, water and cultural heritage studies, which may delay and add material expense to the project.

It is possible that permits and licences already issued which are necessary for Unity's operations may be challenged by third parties, or otherwise determined to be invalid or revocable if such acts or policies were found to be beyond the authority of the licensing body or Minister or if the licences were issued in breach of the required procedures.

#### **4.10 Competent Persons' Statement**

Any information in this document that relates to Ore Reserves, Mineral Resources or Exploration Results is based on, and accurately reflects, information compiled by Rob McLean in relation to Ore Reserves at Henty and Dargues, Raul Hollinger in relation to Mineral Resources at Henty, John Collier in relation to Mineral Resources at Dargues and Angela Lorrigan in relation to Exploration Results. Mr McLean, Mr Hollinger and Ms Lorrigan are Members of the Australasian Institute of Mining and Metallurgy, and Mr Collier and Mr Hollinger are Members of the Australian Institute of Geoscientists. Mr McLean, Mr Collier and Ms Lorrigan are or were at the time of preparing the reports full time employees of Unity and have more than five years' experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hollinger is an independent geologist employed by Unity and has more than five years' experience in the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr McLean, Mr Hollinger, Mr Collier and Ms Lorrigan have given prior written consent, where required, to the inclusion in this document of the matters based on their respective information, where applicable, in the form and context in which it appears.

## **Section 5**

### **Overview of Diversified Minerals**



## 5 Overview of Diversified Minerals

### 5.1 About Diversified Minerals

This section has been prepared by Diversified Minerals. The information concerning Diversified Minerals and the intentions, views and opinions in this Section are the responsibility of Diversified Minerals. Unity and its Directors do not assume responsibility for the accuracy or the completeness of this information.

### 5.2 Overview of Diversified Minerals and Acquirer

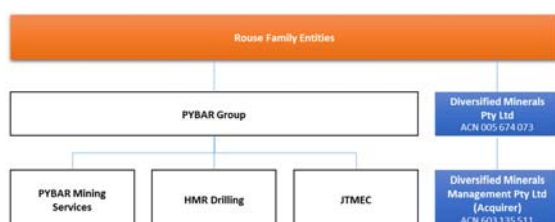
Diversified Minerals is an Australian privately owned company established in 2014 for the purpose of acquiring mining assets at various stages of development. Diversified Minerals is an associated company of the PYBAR Group, an Australian provider of underground hardrock mining services, due to both entities being ultimately controlled by members of the Rouse family.

Acquirer is a wholly-owned subsidiary of Diversified Minerals, which has been nominated by Diversified Minerals to acquire the Scheme Shares.

Diversified Minerals has 99 ordinary shares on issue which are owned by the following Rouse family entities (33 shares or one-third of the issued share capital each): Alar Investments (NSW) Pty Ltd (ACN 602 695 189), Nucanopi Pty Limited (ACN 062 621 756) (**Nucanopi**) and Brencon Pty Ltd (ACN 088 963 197) (**Brencon**). Each of these entities is owned and controlled by members of the Rouse family.

Pybar Holdings Pty Limited ACN 088 981 757 (**PYBAR**) is the ultimate holding company of the PYBAR Group. Nucanopi holds 66.7% of the issued share capital of PYBAR and Brencon holds the remaining 33.3%.

**Figure 14: PYBAR Group Structure**



Source: PYBAR.

Since its establishment, Diversified Minerals has:

- entered into a farm-in agreement with respect to a 50% interest in Unity's Henty Gold Mine in Tasmania;
- entered into a joint venture agreement with Unity in connection with the unincorporated joint venture with respect of the Henty Gold Mine;
- acquired a 13.66% relevant interest in Unity making it Unity's largest shareholder; and
- entered into a 50% joint venture with WPG Resources Ltd for the purpose of acquiring the Challenger Gold Mine and South Australian

exploration assets from Kingsgate Consolidated Limited.

Diversified Minerals also owns equity stakes in several other mining industry focused ASX listed entities.

Diversified Minerals has completed Stage 2 of the farm-in agreement at Henty. On completion, this entitled Diversified Minerals to earn a 30% interest in a newly formed unincorporated joint venture. The joint venture agreement referred to above was executed by the parties on 4 February 2016 and Diversified Minerals now holds a 30% interest in the unincorporated joint venture. Stage 3 of the farm-in entitles Diversified Minerals to a 50% interest in the joint venture on spending a further \$2.5m on drilling for a total \$5m in aggregate. Further details regarding these arrangements is set out in Section 4.3E.

The current directors and key management personnel of Acquirer, Diversified Minerals and PYBAR are as follows.

| Name  | Key Experience   |
|---|--|
| <b>Andrew Rouse</b><br>Director – Diversified Minerals and Acquirer | An MBA qualified mining engineer, Andrew has over 18 years' experience in underground metalliferous and open cut coal mining operations. Andrew also sits on the board of PYBAR and is currently responsible for PYBAR's Business Development and Tendering functions as well as the Company's Business Systems and ICT Areas. |
| <b>Paul Rouse</b><br>CEO & Director - PYBAR                         | Paul is a founding director of PYBAR and a mining engineer with over 40 years' experience in underground mine design, planning, mine management, production and development.   |
| <b>Brendan Rouse</b><br>COO & Director - PYBAR                      | A founding director of PYBAR, Brendan has over 20 years' experience in underground mining and civil construction.  |
| <b>Michael Moore</b><br>CFO – PYBAR                                 | Michael is a CPA with over 30 years' experience in both public and private companies. A member of the PYBAR board, Michael is also responsible for the finance and supply chain functions of PYBAR.  |
| <b>Nick Woolrych</b><br>Group Investment Manager – PYBAR Group      | Nick is a Mining Engineer with over 12 years' experience in the sector in both site-based roles and working for financial institutions. Nick has experience as a debt and equity investor in the mining sector working with a global bank and specialist global natural resources private equity fund in Sydney and London.    |

### 5.3 Background to PYBAR Group

PYBAR was founded in 1993 and is a nationwide provider of mining services with core competencies in metalliferous underground hard rock mining.

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

**Figure 15: PYBAR Group Businesses**



Source: PYBAR.

PYBAR's achievements have been recently recognised through the award of Contract Miner of the Year at the 2014 Prospect Mining awards as well as an award for all-round Business Excellence in addition to Excellence in Manufacturing, Mining, Agribusiness and Industrial service at the 2014 CGU Banjo Business Awards.

**Figure 16: PYBAR Group Locations**



Source: PYBAR.

Collectively, the PYBAR Group employs over 1,000 employees.

### 5.4 Funding Arrangements

The Scheme Consideration will be satisfied wholly in cash. Diversified Minerals has sufficient cash reserves to pay the aggregate amount of Scheme Consideration to Scheme Shareholders in accordance with the Scheme. In accordance with the Scheme and Deed Poll, by no later than the Business Day immediately prior to the Implementation Date, Diversified Minerals is required to pay the aggregate amount of Scheme Consideration for all Scheme Shareholders in cleared funds into a trust account operated by Unity for all Scheme Shareholders. No banking facility drawdowns are required for Diversified Minerals to pay the aggregate Scheme Consideration.

Pursuant to a written commitment provided by PYBAR to Unity to fund Diversified Minerals' payment of the full amount of the Scheme Consideration, PYBAR has procured the transfer to Diversified Minerals of funds sufficient to pay the aggregate amount of Scheme Consideration under the Scheme, which funds are held in a bank account controlled by Diversified Minerals.

Diversified Minerals has provided a written undertaking to Unity that it will not transfer or procure the transfer of any funds contained in this account unless such a transfer is in accordance with the Deed Poll or the Scheme Implementation Agreement has been validly terminated according to its terms.

### 5.5 Diversified Minerals' Intentions with Unity

#### A. Introduction

If the Transaction is implemented, Acquirer and Diversified Minerals will collectively hold all of the issued Unity Shares. As a wholly-owned subsidiary of Diversified Minerals, Acquirer is controlled by Diversified Minerals. This Section 5.5 sets out the current intentions of Diversified Minerals in the event the Transaction is implemented, in relation to:

- the removal of Unity from the official list of the ASX;
- the continuation of the business of Unity;
- replacing the Unity Board with nominees of Diversified Minerals;
- the future employment of the present employees of Unity; and
- any major changes to be made to the business of Unity.

The statements of intentions set out in this Section 5.5 represent the current intentions of Diversified Minerals as at the date of this Explanatory Booklet. These intentions have been formed on the basis of facts and information concerning, and the circumstances affecting, Unity and its business which are known to Diversified Minerals at the date of this Explanatory Booklet. They are based on publicly available information and certain non-public information made available to Diversified Minerals as part of its due diligence review of Unity. Therefore, the formulation of this Section 5.5 is necessarily limited by the extent of the information about Unity available to Diversified Minerals.

Diversified Minerals will make final decisions regarding these matters in light of the information and circumstances at the relevant time including the general business environment. The statements made in this Section 5.5 are statements of current intention only, and Diversified Mineral's intentions may change as new information becomes available or circumstances change. Any changes in intentions will be disclosed to the extent and in the manner required by law.

#### B. Unity to be delisted

If the Transaction is implemented, it is intended that Diversified Minerals will apply to the ASX for Unity to be removed from the official list of the ASX on or after the Implementation Date.

### **C. Unity's Operation**

Diversified Minerals is committed to continue the current operations of Unity and this will include exploration and development activities at its tenements. It is intended that Diversified Minerals will complete a detailed review of Unity's corporate structure, governance, assets, businesses, personnel and operations following implementation of the Transaction.

Diversified Minerals intends to provide additional support to Unity with the objective of improving Unity's current operations and exploration work.

All mining and exploration activities intend to be contracted to the PYBAR Group, leveraging off the extensive experience it has in delivering greenfield and brownfield mining projects. The PYBAR Group is committed to supporting the local communities in which it works.

### **D. Unity Board**

If the Transaction is implemented, Diversified Minerals intends to replace the current Directors of Unity with nominees of Diversified Minerals. As yet these directors have not been identified.

### **E. Corporate and Head Office Functions**

Diversified Minerals has its own corporate support functions within the PYBAR Group, and as such there is likely to be some overlap in terms of job functions with Unity.

If the Transaction is implemented, it is the current intention of Diversified Minerals to ultimately close the Melbourne corporate office of Unity and consolidate the support services with Diversified Minerals' existing operations, while retaining certain key employees to ensure continuity of operations and retention of key skills and knowledge of its assets.

Diversified Minerals will endeavour to minimise any disruption to Unity and its employees.

### **F. Employees**

As noted above, it is intended that Diversified Minerals will undertake a detailed review of Unity to determine the optimum manner of operating the business. This will include a review of Unity's operational structure.

Where possible, Diversified Minerals will seek to minimise job losses through redeployment of the relevant employees. If redundancies do occur, the relevant employees will receive benefits in accordance with their contractual and other legal entitlements.

### **G. Diversified Minerals' Interests in Unity Shares**

Except for the Scheme Consideration provided under the Transaction, during the period of four months before the date of this Explanatory Booklet, neither Diversified Minerals nor any of its associates has provided or agreed to provide consideration for any Unity Shares under a purchase or other agreement.

During the four months before the date of this Explanatory Booklet, neither Diversified Minerals nor any of its associates have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an Associate to:

- vote in favour of the Transaction; or
- dispose of Unity Shares,

and where the benefit was not offered to all Unity Shareholders.

As at the date of this Explanatory Booklet, Diversified Minerals has a relevant interest (as that term is defined in the Corporations Act) in 156,110,278 Unity Shares representing 13.66% of the Shares.

## **Section 6**

### **Tax summary for Unity Shareholders**

## 6 Tax Summary for Unity Shareholders

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### 6.1 Tax Summary for Unity Shareholders

This tax summary is provided to assist the Unity Shareholders that are Australian residents for tax purposes and who hold their shares on capital account to understand the income tax consequences of receiving the Capital Return and of disposing of their Unity Shares under the Scheme.

This tax summary does not apply to Unity Shareholders who do not hold their Unity Shares on capital account (for example, Unity Shareholders who hold their Unity Shares as trading stock or revenue assets), Unity Shareholders who are non-residents of Australia for income tax purposes, superannuation funds or Diversified Minerals. This tax summary does not take account the individual circumstances of particular Unity Shareholders and does not constitute advice. Unity Shareholders should seek advice from an appropriate professional adviser on the tax implications of the Capital Return and of disposing of their Unity Shares.

Where the Capital Return Resolution and Scheme Resolution are approved, the Capital Return will be paid to the Unity Shareholders totalling 1 cent per Unity Share and following this, the Acquirer will acquire the Unity Shares for 1.9 cents per share. The Total Cash Payments will be 2.9 cents per Unity Share.

The Capital Return and the disposal by Unity Shareholders of each of their Unity Shares will give rise to Capital Gains Tax (**CGT**) consequences. Subject to confirmation by the Australian Taxation Office (**ATO**), there will be separate CGT events from which the following taxation consequences will flow:

- For Unity Shareholders with a cost base of less than 1 cent per Unity Share – a capital gain will arise upon payment of the Capital Return, being the difference between the total Capital Return amount and cost base of the Unity Shares. The subsequent disposal of Unity Shares under the Scheme will also give rise to a capital gain equal to the proceeds of 1.9 cents per Unity Share.
- For Unity Shareholders with a cost base of 1 cent or more per Unity Share – no capital gain will arise from receiving the Capital Return, and the cost base of each Unity Share will be reduced by 1 cent per share. Unity Shareholders will make a capital gain from the CGT event occurring on the subsequent disposal of their Unity Shares under the Scheme if the proceeds of 1.9 cents per Unity Share is greater than the cost base of the Unity Shares (as reduced by the Capital Return). Conversely, Unity Shareholders will make a capital loss if the proceeds from the disposal of their Unity Shares is less than the reduced cost base of the shares (as reduced by the Capital Return).

The cost base of a Unity Shareholder's Unity Shares should be equal to the cost incurred to acquire their Unity Shares plus any incidental costs (such as brokerage fees and legal costs) associated with the acquisition and disposal of their Unity Shares.

Unity Shareholders who are individuals or trusts may be entitled to reduce the amount of any capital gain by up to 50% in connection with the disposal of their Unity Shares (including the Capital Return) if they have held their shares for at least 12 months (excluding the Implementation Date).

Unity Shareholders who acquired their Unity Shares before 11:45am on 21 September 1999 may choose to increase the cost base of their Unity Shares for the purposes of calculating their capital gain (but not their capital loss) by an indexation based on the 'consumer price index' from the date of acquisition to 30 September 1999. Unity Shareholders that choose to index the cost base of their Unity Shares cannot benefit from the 50% reduction.

Unity is in the process of obtaining a Class Ruling from the ATO on behalf of Unity Shareholders to confirm that:

- The Capital Return and the subsequent disposal of Unity Shares represent separate CGT events; and
- The Capital Return will not be treated as an unfranked dividend for Australian income tax purposes.

It is expected that the ATO will issue the draft Class Ruling in advance of the Special General Meeting and Scheme Meeting. Following receipt of the draft Class Ruling by Unity, details will be made available via an ASX release.

It is expected that the final Class Ruling will be issued shortly following implementation of the Transaction. Once issued in final, a copy of the Class Ruling will be available on the ATO website.

## **Section 7**

### **Capital Return**

## 7 Capital Return

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### 7.1 Directors' Recommendation

Your Directors consider that the Capital Return is in the best interests of Unity Shareholders and unanimously recommend that Unity Shareholders vote in favour of the Capital Return, in the absence of a Superior Proposal.

### 7.2 Description of the Capital Return

Unity proposes to distribute to Unity Shareholders in cash an amount of 1.0 cent per Unity Share by way of an equal reduction of capital under Part 2J of the Corporations Act. The funds to be distributed to Unity Shareholders are available from excess cash reserves retained to date on Unity's balance sheet.

### 7.3 Rationale for the Capital Return

The Capital Return has been proposed by Unity in conjunction with the Scheme. The rationale for the Capital Return is to exclusively facilitate the broader Transaction comprising both the Capital Return and the Scheme.

The Capital Return should be considered together with the Scheme as a means of providing the Total Cash Payments to Unity Shareholders (other than Excluded Shareholders) as part of the Transaction. The Capital Return represents a significant portion of the total value of a shareholder's interest in Unity. The Capital Return, in conjunction with the Scheme, has been assessed by your Directors as an efficient means to unlock this value for the benefit of all Unity Shareholders.

The Scheme cannot proceed unless the Capital Return is approved by Shareholders. If the Capital Return does not proceed, the benefits of the Scheme will be lost to Unity Shareholders.

### 7.4 Approvals required for the Capital Return to proceed

The Capital Return must be approved by a majority of the votes cast on the Capital Return Resolution.

The Capital Return is also conditional on the approval of the Scheme by Unity Shareholders and the Court. If the Scheme is not implemented, and the Transaction does not proceed, the Capital Return will not proceed.

### 7.5 Fair and reasonable to Unity Shareholders as a whole

Your Directors consider that the Capital Return is fair and reasonable to Unity Shareholders as a whole because it applies to them equally having regard to the number of Unity Shares held.

### 7.6 No material prejudice to creditors

Under the Corporations Act, Unity is only authorised to undertake the Capital Return if doing so does not materially prejudice Unity's ability to pay its creditors.

As at the date of this Explanatory Booklet, the Directors consider that Unity has sufficient cash reserves to return 1.0 cent per Unity Share without materially prejudicing its ability to pay its creditors. This view is shared by the Independent Expert which has concluded that the ability of Unity to pay its existing creditors would not be materially prejudiced by the Capital Return.

The Directors reserve the right to not undertake the Capital Return (notwithstanding that Unity Shareholders may approve the Capital Return) if, between the time of the Special General Meeting and the time that the Capital Return is due to be undertaken, circumstances have changed such that returning 1.0 cent per Unity Share would materially prejudice Unity's ability to pay its creditors. At the date of this Explanatory Booklet, your Directors do not foresee any such change in circumstances, and consider that the possibility of this occurring is remote.

### 7.7 Other material information

Under the Corporations Act, Unity must include with the notice of meeting for the Special General Meeting a statement setting out all information known to Unity that is material to the decision on how to vote on the Capital Return. However, it does not have to do so if it would be unreasonable to require Unity to do so because the information had previously been disclosed to Unity Shareholders.

This section 7 of the Explanatory Booklet, read in conjunction with the rest of the information in this Explanatory Booklet, satisfies that requirement.

## **Section 8**

# **Key Terms of the Scheme Implementation Agreement**



## 8 Key Terms of the Scheme Implementation Agreement

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### 8.1 Overview

Unity and Diversified Minerals entered into the Scheme Implementation Agreement on 6 December 2015. The Scheme Implementation Agreement sets out each party's rights and obligations in connection with the implementation of the Scheme. It also sets out the procedures to be adopted by Unity in connection with the implementation of the Capital Return. This Section outlines certain key terms of the Scheme Implementation Agreement.

The full terms of the Scheme Implementation Agreement (excluding annexures) are contained in Annexure 6.

### 8.2 Structure of the Scheme

Under the terms of the Scheme, if the Transaction is implemented, Unity Shareholders (other than Excluded Shareholders) will transfer all of their Unity Shares to Diversified Minerals (or its nominee), and will receive Scheme Consideration of 1.9 cents cash for each Unity Share held on the Record Date. Unity Shareholders will also receive 1.0 cent per Unity Share from Unity as part of the Capital Return.

### 8.3 Conditions precedent

The Scheme Implementation Agreement contains the following conditions precedent:

- a) **(Orders convening Scheme Meeting)** The Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act;
- b) **(Unity Shareholder approval)** Unity Shareholder approval is obtained at the Scheme Meeting by the Requisite Majorities under the Corporations Act;
- c) **(Court approval of the Scheme)** the Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme on the Second Court Date;
- d) **(Order lodged with ASIC)** an office copy of the Court order approving the Scheme is lodged with ASIC as contemplated by section 411(10) of the Corporations Act on or before the Sunset Date;
- e) **(No prohibitive orders)** no judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any Australian court or other Australian Government Agency of competent jurisdiction remains in force at 8.00 am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the implementation of the Scheme (or any transaction contemplated by the Scheme);
- f) **(No Unity Prescribed Event)** No Unity Prescribed Event occurs between the date of this Agreement and 8.00 am on the Second Court Date;
- g) **(No Diversified Minerals Prescribed Event)** no Diversified Minerals Prescribed Event occurs between the date of the Scheme Implementation Agreement and 8:00am on the Second Court Date;
- h) **(No change of Director recommendation)** between the date of the Scheme Implementation Agreement and Unity Shareholders voting on the Scheme at the Scheme Meeting, no Director adversely changes, adversely qualifies or withdraws his recommendation to Unity Shareholders to vote in favour of the Scheme or otherwise makes a public statement indicating that he no longer supports the Scheme;
- i) **(Independent Expert's report)** the Independent Expert issues its report (which may be in draft) before the date on which the Explanatory Booklet is provided to ASIC and the Independent Expert concludes in its final report which is included in the Explanatory Booklet that the Scheme is in the best interests of Unity Shareholders (and does not change that conclusion prior to 8.00 am on the Second Court Date);
- j) **(No Material Adverse Change)** no Material Adverse Change occurs between the date of the Scheme Implementation Agreement and 8.00 am on the Second Court Date;
- k) **(Capital Return)** as at 8.00 am on the Second Court Date, Unity Shareholders have approved the Capital Return under section 256C(1) of the Corporations Act at the Special General Meeting;
- l) **(Cancellation of Options)** as at 8.00 am on the Second Court Date, Unity has provided the confirmation to Diversified Minerals that all Options will cease to exist as at the Implementation Date;
- m) **(No Performance Rights)** as at 8.00 am on the Second Court Date, Unity has provided the confirmation to Diversified Minerals that any Performance Rights which have not already vested do vest and convert prior to the Record Date;
- n) **(Unity Warranties)** each of the Unity warranties contained in the Scheme Implementation Agreement that is qualified as to materiality is true and correct, and each such Unity warranty that is not so qualified is true and correct in all material respects, in each case on the date or dates specified in the Scheme Implementation Agreement;
- o) **(Diversified Minerals Warranties)** each of the Diversified Minerals Warranties contained in the Scheme Implementation Agreement that is qualified as to materiality is true and correct, and each Diversified Minerals warranty that is not so qualified is true and correct in all material respects, in each case on the date or dates

specified in the Scheme Implementation Agreement;

- p) **(No Competing Proposal)** as at 8.00 am on the Second Court Date, Unity has not entered into any agreement, arrangement or understanding with a third party in relation to a Competing Proposal and no Competing Proposal has been announced by Unity; and
- q) **(Net Cash Certificate)** on the Business Day immediately prior to the Second Court Date, Unity delivers to Diversified Minerals a certificate duly signed by two directors or a director and company secretary of Unity, that Unity has sufficient Net Cash to pay the cash amount of the capital return for the Capital Return.

The Scheme also contains the following conditions precedent:

- a) all the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement (other than the conditions relating to Court approval of the Scheme and the Court order being lodged with ASIC) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement before 8:00am on the Second Court Date or such other time specified in that condition precedent;
- b) as at 8:00am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms;
- c) the Court making the orders approving the Scheme (with or without modification) under section 411(4)(b) of the Corporations Act;
- d) any other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme (and which are acceptable to Unity and Diversified Minerals) having been satisfied; and
- e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Scheme coming into effect, under section 411(10) of the Corporations Act on or before the Sunset Date.

Full details of the conditions precedent are set out in clause 3 of the Scheme Implementation Agreement and clause 3 of the Scheme.

#### 8.4 Capital Return

Unity must, substantially in accordance with the indicative timetable set out in the Scheme Implementation Agreement, propose the Capital Return. Unity must then take all steps necessary to comply with the requirements of the Corporations Act in convening and holding the Special General Meeting and putting the Capital Return Resolution to a vote of Unity Shareholders at the Special General Meeting.

Subject to all conditions precedent in clause 3.1 of the Scheme Implementation Agreement being

satisfied or waived, Unity must on or before the Implementation Date make the Capital Return to each person who is a Unity Shareholder at the Record Date.

#### 8.5 Exclusivity arrangements

The Scheme Implementation Agreement contains exclusivity arrangements. A summary of these arrangements is set out below:

- a) **(Termination of existing discussions)** as at the date of the Scheme Implementation Agreement, Unity warranted that it had ceased any existing discussions or negotiations with any party that may reasonably be expected to lead to a Competing Proposal;
- b) **(No shop)** during the Exclusivity Period, Unity must not solicit, invite, initiate or encourage any Competing Proposal or any inquiries, negotiations or discussions with any third party that could reasonably be expected to lead to the making of a Competing Proposal;
- c) **(No talk)** during the Exclusivity Period and subject to the fiduciary exception described below, Unity must not negotiate or enter into or participate in negotiations or discussions with any person which may reasonably be expected to lead to a Competing Proposal or the Scheme not proceeding;
- d) **(No due diligence)** during the Exclusivity Period and subject to the fiduciary exception described below, Unity must not make available to any other person or permit any other person to receive any non-public information relating to the Unity Group, in connection with such person formulating, developing or finalising a Competing Proposal;
- e) **(Notification of Competing Proposals)** during the Exclusivity Period and subject to the fiduciary exception described below, if a Competing Proposal is put to Unity, then Unity must promptly inform Diversified Minerals of that fact, the identity of the person or persons involved in the proposal and the key terms of the proposal;
- f) **(Diversified Minerals' matching right)** during the Exclusivity Period and subject to the fiduciary exception described below, if Unity receives a Competing Proposal that the Unity Board considers to be a Superior Proposal, Unity must give Diversified Minerals notice of that fact, including all material details of the Competing Proposal including details of the proposed bidder and the key terms of the proposal. Unity must not enter into any legally binding arrangement, publicly announce or otherwise progress or facilitate the Competing Proposal for a period of two Business Days after providing notice to Diversified Minerals. During that time, Diversified Minerals will have the right to make a counter proposal by offering to amend the terms of the Scheme or proposing another transaction with Unity. If the Unity Board determines in good faith that Diversified Minerals' counter proposal would be more

favourable to Unity Shareholders, then Unity and Diversified Minerals must use best endeavours to amend the terms of the Scheme Implementation Agreement to reflect the counter proposal or to pursue the implementation of any alternate transaction proposed by the counter proposal, as applicable;

- g) **(Fiduciary exception)** the no talk, no due diligence, Competing Proposals notification and matching right restrictions summarised above do not apply to the extent that they restrict Unity or the Unity Board from taking or refusing to take any action with respect to a Competing Proposal provided that the Competing Proposal is bona fide and is made in writing by or on behalf of a person that the Directors consider is of reputable commercial standing, and provided also that the Directors have determined in good faith after consulting with Unity's advisers to the Scheme, that:
- i. the Competing Proposal is a Superior Proposal; and
  - ii. taking or failing to take the action with respect to the Competing Proposal would, or would be reasonably likely to, involve a breach of the fiduciary or statutory obligations of any Unity Director.

Full details of the exclusivity arrangements are set out in clause 3.1 of the Scheme Implementation Agreement.

## 8.6 Break fee

Unity has agreed to pay Diversified Minerals a break fee of \$400,000 in certain circumstances. In summary, the break fee will be payable by Unity if:

- a) at any time before the Scheme Meeting is held, the Unity Board fails to recommend the Scheme to Unity Shareholders or publicly withdraws, qualifies or varies its recommendation of the Scheme in a manner adverse to Diversified Minerals or otherwise makes a public statement that it no longer supports the Scheme, other than:
  - i. in circumstances where Unity is entitled to terminate the Scheme Implementation Agreement due to a failure of a condition precedent or due to a material breach by Diversified Minerals; or
  - ii. as a consequence of the Independent Expert concluding in its report (or in any revised or supplemental report) that the Scheme is not in the best interests of Unity Shareholders;
- b) a Competing Proposal is announced during the Exclusivity Period and at any time during the Exclusivity Period or on or prior to the date nine months after the end of the Exclusivity Period, the proponent of the Competing Proposal enters into any transaction that was a Competing Proposal;

- c) Diversified Minerals validly terminates the Scheme Implementation Agreement as a result of a material breach of any material term of the Scheme Implementation Agreement or a breach of a Unity warranty; or
- d) the condition in clause 3.1(f) (No Target Prescribed Event), 3.1(h) (No Bidder Prescribed Event), 3.1(j) (No Material Adverse Change), 3.1(l) (Cancellation of Options), 3.1(m) (No Performance Rights), 3.1(n) (Target Warranties), 3.1(p) (No Competing Proposal) and 3.1(q) (Net Cash Certificate) of the Scheme Implementation is breached or not satisfied prior to 8.00 am on the Second Court Date and Bidder terminates the Scheme Implementation Agreement as a result.

If the break fee becomes payable to Diversified Minerals, Diversified Minerals cannot make any claim against Unity in relation to any loss arising from the Scheme not proceeding, any event or occurrence giving rise to the obligation to pay the break fee and any liability of Unity in relation to any breach of its obligations under the Scheme Implementation Agreement or any breach of any Unity warranty.

There is no reciprocal break fee payable by Diversified Minerals to Unity if the Scheme does not proceed.

Full details of the circumstances in which the break fee is payable is set out in clause 12 of the Scheme Implementation Agreement.

## 8.7 Termination

Either Unity or Diversified Minerals may terminate the Scheme Implementation Agreement in any of the following circumstances:

- a) the other party has materially breached any material provision of the Scheme Implementation Agreement;
- b) there has been a breach of a representation or warranty given by the other party in the Scheme Implementation Agreement where:
  - i. the breach was of a kind that, had it been previously disclosed, could reasonably be expected to have resulted in that party either not entering into the Scheme Implementation Agreement or entering into it on materially different terms; or
  - ii. the breach amounts to, results in, or discloses anything, that could reasonably be expected to represent a material adverse effect on the relevant party's business, financial affairs or prospects;
- c) any of the conditions precedent are not satisfied or waived and the parties cannot resolve the failure in order to satisfy the condition precedent following consultation with each other in accordance with the terms of the Scheme Implementation Agreement;

- d) the Court refuses to grant an order convening the Scheme Meeting or approving the Scheme and Unity and Diversified Minerals fail to agree on conducting an appeal within five Business Days or they agree to conduct an appeal which is unsuccessful;
- e) the Scheme is not approved by the Court under section 411(4)(b) of the Corporations Act on or before the Sunset Date; or
- f) Diversified Minerals changes the Transaction structure from the Scheme to a takeover bid under Chapter 6 of the Corporations Act, provided that the takeover bid is at an offer price per Unity share which is at least equal to the Total Cash Payments.

Unity and Diversified Minerals may only terminate the Scheme Implementation Agreement in the circumstances detailed in paragraphs 8.7(a) and 8.7(b) immediately above if:

- a) written notice setting out the details of the breach has been provided to the other party; and
- b) the breach has not been remedied within 20 Business Days (or any shorter period ending immediately before 8:00am on the Second Court Date) from the relevant notification date.

In addition:

- a) Diversified Minerals may terminate the Scheme Implementation Agreement before 8:00am on the Second Court Date if any Director withdraws his recommendation that Unity Shareholders vote in favour of the Scheme or publicly announces that he no longer supports the Scheme; and
- b) the Scheme Implementation Agreement will terminate automatically without the need for action by any party if Unity Shareholder approval is not obtained at the Scheme Meeting.

#### **8.8 Representations and warranties**

Each of Unity and Diversified Minerals has given certain customary representations and warranties to the other. Clause 7 of the Scheme Implementation Agreement sets out in full the representations and warranties provided by the parties.

#### **8.9 Sunset Date**

Unity and Diversified Minerals have committed to implement the Scheme by the Sunset Date, being 5:00pm on 31 May 2016 or earlier in certain circumstances set out in clause 6.4(b) of the Scheme Implementation Agreement. The Sunset Date may be otherwise agreed in writing between Unity and Diversified Minerals.

## **Section 9**

# **Transaction Implementation Procedures**

## 9 Transaction Implementation Procedures

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### 9.1 Implementation of the Transaction

The steps to implement the Transaction are set out below:

- a) on 6 December 2015, Unity and Diversified Minerals entered into the Scheme Implementation Agreement in relation to the Transaction under which Unity agreed to propose the Scheme to proceed in conjunction with the Capital Return;
- b) on 17 February 2016, Diversified Minerals executed the Deed Poll pursuant to which it agreed, subject to the Scheme becoming Effective, to undertake all actions attributed to it under the Scheme (and otherwise complying with its obligations in respect to the Scheme) including providing or procuring the provision of the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme. A copy of the Deed Poll is included in Annexure 4;
- c) on 19 February 2016, the Court ordered that Unity convene the Scheme Meeting at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria to be held at 11:00am (Melbourne time) on Thursday, 31 March 2016 (or if the Special General Meeting has not been concluded by that time, as soon as possible after that time as the Special General Meeting concludes), for the purposes of considering the Scheme. Unity Shareholders (other than Excluded Shareholders) on the Register as at 7:00pm (Melbourne time) on Tuesday, 29 March 2016 are entitled to vote at the Scheme Meeting;
- d) on 19 February 2016, Unity notified ASIC of the proposed Capital Return. Unity also convened a Special General Meeting at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria to be held at 10:00am (Melbourne time) on Thursday, 31 March 2016, for the purposes of considering the Capital Return. Unity Shareholders on the Register as at 7:00pm (Melbourne time) on Tuesday, 29 March 2016 are entitled to vote at the Special General Meeting;
- e) Unity will apply to the Court for an order approving the Scheme if the Capital Return is approved at the Special General Meeting and if the Scheme is approved at the Scheme Meeting. Each Unity Shareholder has the right to appear at Court on the Second Court Date where Unity will apply for orders approving the Scheme. A Unity Shareholder wishing to appear at Court to oppose the approval of the Scheme can do so by filing with the Court and serving on Unity a notice of appearance in the prescribed form together with any affidavit on which they may wish to rely upon at the hearing. The Court has a discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved at the Scheme Meeting by the Requisite Majorities;
- f) if the Court order approving the Scheme is obtained, Unity will lodge with ASIC an office copy of the Court order under section 411(10) of the Corporations Act. The date on which this occurs will become the Effective Date for the purposes of the Scheme;
- g) no dealings in Unity Shares will be permitted after the Effective Date, although the process to register dealings that took place on or before the Effective Date will continue until 7:00pm (Melbourne time) on the Record Date;
- h) if the Scheme becomes Effective, Unity will immediately give notice of that event to the ASX. Once the Scheme becomes Effective, Unity and Diversified Minerals will become bound to implement the Scheme in accordance with its terms. Unity will also implement the Capital Return at the same time;
- i) if the Scheme becomes Effective:
  - i) by close of business on the Business Day before the Implementation Date, Diversified Minerals will deposit into an Australian dollar denominated trust account in Australia nominated by Unity, an amount equal to the aggregate Scheme Consideration in cleared funds to be provided to the Scheme Shareholders, such amount to be held on trust by or on behalf of Unity for the Scheme Shareholders and for the purpose of Unity paying the Scheme Consideration to each Scheme Shareholder;
  - ii) all of the Unity Shares (other than those held by Excluded Shareholders) held on the Record Date will be transferred to Acquirer on the Implementation Date without the need for any further act by any Scheme Shareholder, by Unity procuring the delivery to Diversified Minerals of a duly completed and executed transfer form to transfer all of the Unity Shares (other than those held by Excluded Shareholders) held on the Record Date to Acquirer and Unity entering the name of Acquirer in the Register as the holder of those Unity Shares;
  - iii) the Scheme Consideration and the Capital Return will be despatched to Scheme Shareholders within 3 Business Days after the Implementation Date in the manner set out in paragraphs (v) and (vi) below;
  - iv) all payments will be made by Unity making or procuring the making of a deposit into the nominated bank accounts of Unity Shareholders (being the bank accounts nominated by Unity Shareholders to receive payments) as advised by Unity Shareholders to the Unity Share Registry. If a Unity Shareholder does not have a nominated bank account, payments will be made by Unity despatching or procuring

the despatch of a cheque drawn in Australian dollars to that Unity Shareholder by post to their registered address as shown in the Register; and

- v) in the case of Unity Shares held on the Record Date held in joint names, the payments will be made or forwarded to the registered address of the joint holding as at the Record Date;
- j) the Scheme will not become Effective if the Scheme Implementation Agreement is terminated or if the other conditions precedent, referred to in Section 8.3 of this Explanatory Booklet (including the condition that the Capital Return must proceed), are not satisfied or waived; and
- k) if the Scheme becomes Effective, each Scheme Shareholder, without the need for any further act, irrevocably appoints Unity and each of its Directors and officers (jointly and severally) as their attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to the Scheme including the provision of a proper instrument of transfer of their Unity Shares.

## **9.2 Conditions of the Scheme**

The Scheme is conditional upon various conditions precedent, summarised in Section 8.3 of this Explanatory Booklet. For further details, please refer to the summary of the key terms of the Scheme Implementation Agreement in Section 8 of this Explanatory Booklet.

## **9.3 Effective Date**

The Scheme will become Effective on the date on which an office copy of the Court order approving the Scheme is lodged with ASIC. If the Scheme becomes Effective, Unity will give notice of that event to the ASX. On the Effective Date, Unity and Diversified Minerals will become bound to implement the Scheme in accordance with its terms.

## **9.4 Dealings in Unity Shares**

If the Scheme becomes Effective, Unity will apply to the ASX for suspension of trading in Unity Shares on the ASX from close of trading on the Effective Date. Unity will close the Register on the Record Date. Any transfer or transmission application in respect of Unity Shares received after the Record Date will not be accepted for registration nor recognised for any purpose.

## **Section 10**

### **Additional Information**



## 10 Additional Information

### 10.1 Restrictions in the Unity Constitution

There are no restrictions in the Unity Constitution on the right to transfer Unity Shares pursuant to the Scheme.

### 10.2 Creditors of Unity

The Scheme, if implemented, will not materially prejudice the ability of Unity to pay its creditors as it involves the acquisition of Unity Shares rather than Unity's underlying assets. No new liability (other than the costs associated with the Transaction) is expected to be incurred by Unity as a consequence of the implementation of the Scheme.

For details regarding the impact on creditors in relation to the Capital Return, please refer to section 7.6 of this Explanatory Booklet.

### 10.3 Directors' intentions

If the Transaction is implemented, it is intended that the Unity Board will be reconstituted. It is for the reconstituted Unity Board to determine its intentions as to the continuation of the business of Unity and any major changes (if any) to the Unity business and the future employment of the present employees of Unity.

The current intentions of Diversified Minerals with respect to these matters are set out in Section 5.

If the Transaction is not implemented, the Directors intend to operate the Unity business in the ordinary course, which includes reviewing the strategy and operations of Unity in accordance with usual responsibilities.

### 10.4 Directors' interests

The Directors of Unity and their relevant interests, in Unity Shares, as at the date of this Explanatory Booklet, are:

| Name  | Unity Shares |
|---|--------------|
| Clive Jones<br>(Non Executive Chairman)       | 2,453,634    |
| Frank Terranova<br>(Acting Managing Director) | 33,000,000   |
| Gary Davison (Non<br>Executive Director)      | 310,195      |

No Director holds any Options or Performance Rights.

Each of the Directors considers that the Transaction is in the best interests of Unity Shareholders. Each of the Directors who holds or controls the voting rights attached to Unity Shares intends to vote his Unity Shares, or ensure that those Unity Shares are voted, in favour of the Capital Return and the Scheme, in the absence of a Superior Proposal.

### 10.5 Interests in Diversified Minerals or Acquirer held by Unity and Directors

None of the Unity Directors have a direct shareholding in Diversified Minerals or Acquirer. For more information regarding the ownership of Diversified Minerals and Acquirer, please refer to Section 5.

Neither Unity nor any Director has a relevant interest in any securities of Diversified Minerals or Acquirer. Neither Unity nor any Director acquired or disposed of a relevant interest in any securities of Diversified Minerals or Acquirer in the period of four months ending on the day immediately before the date of this Explanatory Booklet.

### 10.6 Payments, other benefits, agreements or arrangements

Other than as disclosed in this Section, there is no agreement or arrangement made between any Director and any other person in connection with, or conditional upon, the outcome of the Transaction and no Director has agreed to receive, or is entitled to receive, any benefit from Diversified Minerals or Acquirer which is conditional on, or connected with, the Transaction other than in their capacity as a Scheme Shareholder.

Other than as disclosed in Section 10.5, no Director has any interest in any contract entered into by Diversified Minerals.

No payment or other benefit is proposed to be made or given in connection with the Transaction to any Director, secretary or executive officer of Unity, or of any Related Bodies Corporate of Unity, as compensation for loss of, or as consideration for, or in connection with, his or her retirement from office in Unity or in a Related Bodies Corporate.

### 10.7 Arrangements between Diversified Minerals and Unity

Other than the arrangements pursuant to the Transaction and as otherwise described in this Explanatory Booklet (including Sections 4 and 5), Diversified Minerals and Unity have no other pre-existing arrangements as at the date of this Explanatory Booklet.

### 10.8 Other information material to decision in relation to the Transaction

Except as set out in this Explanatory Booklet, there is no information which is material to the making of a decision in relation to the Transaction, being information that is within the knowledge of any Director or director of any Related Bodies Corporate of Unity, at the time of lodging this Explanatory Booklet with ASIC for registration, which has not previously been disclosed to the Shareholders of Unity.

### 10.9 Formal disclosures and consents by Unity

Other than as set out in this Explanatory Booklet, no person named in this Explanatory Booklet as performing a function in a professional, advisory or

other capacity in connection with the preparation or distribution of this Explanatory Booklet holds, or held at any time during the last two years before the date of this Explanatory Booklet, any interest in the formation or promotion of Unity, any property acquired or proposed to be acquired by Unity in connection with Unity's formation or promotion or in connection with the Transaction. Other than as set out in this Explanatory Booklet, no amounts have been paid or agreed to be paid and no value or other benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the preparation of this Explanatory Booklet or in connection with the formation or promotion of Unity or in connection with the Transaction.

The persons performing a function in a professional or advisory capacity in connection with the Transaction and with the preparation of this Explanatory Booklet on behalf of Unity are Grant Samuel Corporate Finance Pty Ltd (financial adviser), Baker & McKenzie (legal adviser), Sumner Hall Associates Pty Ltd (Independent Expert), AMC Consultants Pty Ltd (Independent Technical Specialists) and Boardroom Pty Limited (the Share Registry).

Each of those persons or entities is entitled to receive professional fees charged in accordance with their normal basis of charging. The fee for professional services paid or payable to the Independent Expert is approximately \$55,000 (plus GST). The fee for professional services paid or payable to the Independent Technical Specialist is approximately \$65,000 (plus GST).

Each of those persons or entities has given, and has not withdrawn before the date of this Explanatory Booklet, their consent to be named in this Explanatory Booklet in the form and context in which each of them are named. Each of those persons or entities has not authorised or caused the issue of this Explanatory Booklet and does not make, or purport to make, any statement in this Explanatory Booklet or any statement on which a statement in this Explanatory Booklet is based, (other than in respect of the portions of the Independent Expert's Report prepared by the Independent Expert, and other than in respect of the portions of the Independent Technical Specialist's Report prepared by the Independent Technical Specialist) and to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Explanatory Booklet other than a reference to its name and the statement (if any) included in this Explanatory Booklet with the consent of that party.

Diversified Minerals has given (and not withdrawn) its consent to be named in this Explanatory Booklet in the form and context in which it is named, on the basis set out in the Responsibility for Information paragraph contained in the "Important Notices" Section at the start of this Explanatory Booklet.

## 10.10 Options

As at the date of this Explanatory Booklet, Unity has on issue 43,227,196 Options with an exercise price of 2.57 cents and an expiry date of 17 September 2019. All Options were issued pursuant to Unity's Executive Incentive Plan Rules approved by Unity Shareholders at Unity's General Meeting on 31 August 2015.

Unity has entered into an Options Cancellation Deed with each Optionholder under which, subject to the Transaction taking effect, each Unity Optionholder has agreed to cancel the Options for a cancellation fee of 0.86076 cents per Option, representing an agreed total amount of consideration of \$372,082. The cancellation fee was determined by agreement between Unity and the Unity Optionholders after considering an independent expert valuation for the Options conducted at Unity's request, which adopted a binomial option pricing model to value the Options. It is a condition precedent to the cancellation of the Unity Options that:

- the Scheme becomes Effective on or before the Sunset Date; and
- Unity obtains any approval or waiver which is necessary for the purposes of the ASX Listing Rules in order to cancel the Options.

The ASX has granted the waiver of Listing Rule 6.23.2 to permit the cancellation of the Unity Options in accordance with the Options Cancellation Deeds.

It is a condition of the ASX waiver that the Scheme be approved by Unity Shareholders (other than the Excluded Shareholders) and the Court as a result of which all of the Shares other than those that Diversified Minerals and its Related Bodies Corporate do not already own will be acquired by Diversified Minerals. The Unity Optionholders have also agreed not to exercise their Unity Options.

As a result of the Options Cancellation Deeds, Unity is not proposing a separate scheme of arrangement with Unity Optionholders.

## 10.11 Performance Rights

As at the date of this Explanatory Booklet, Unity has on issue 1,623,844 Performance Rights which on vesting entitle the holder of those Performance Rights to be issued 1 Unity Share for each Performance Right held for nil consideration. The Performance Rights were granted under the 2010 Executive Long Term Incentive Plan Rules.

Subject and conditional on the Scheme being approved by the Court at the Second Court Hearing, any applicable performance hurdles cease to apply to the Performance Rights granted under the plan. The Unity Shares the subject of Performance Rights will then be issued prior to the Record Date, but after the Scheme Meeting, thereby enabling the holder of the Performance Rights to participate in the Scheme in respect of those Unity Shares. These Unity Shares will be acquired by Diversified Minerals pursuant to the Scheme. Accordingly there will be no outstanding Performance Rights on issue if the Scheme becomes Effective.

## **10.12 ASIC Relief**

Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires an explanatory statement to set out whether, within the knowledge of the Directors, the financial position of Unity has materially changed since the date of the last balance sheet laid before Unity Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2015. ASIC has granted Unity relief from this requirement so that this Explanatory Booklet only need set out whether, within the knowledge of the Directors, the financial position of Unity has materially changed since 31 December 2015 (being the last date of the period to which the financial statements for the half year ended 31 December relate).

## **10.13 Supplementary Information**

Unity will issue a supplementary document to this Explanatory Booklet if, between the date of lodgement of this Explanatory Booklet for registration by ASIC and the date of the Scheme Meeting, it becomes aware of any of the following: a material statement in this Explanatory Booklet is false or misleading, a material omission from this Explanatory Booklet, a significant change affecting a matter included in this Explanatory Booklet, or a significant new circumstance has arisen and it would have been required to be included in this Explanatory Booklet if it had arisen before the date of lodgement of this Explanatory Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Unity may circulate and publish the supplementary document by any or all of posting the supplementary document on its website ('[www.unitymining.com.au](http://www.unitymining.com.au)'), making an announcement to the ASX or issuing a supplementary Explanatory Booklet.

## **Section 11**

### **Glossary**

# 11 Glossary

## 11.1 Glossary

The meanings of the terms used in this Explanatory Booklet are set out below.

|  |  |
|--|--|
| <b>Acquirer</b>                              | Diversified Minerals Management Pty Ltd (ACN 603 135 511) of 1668-1670 Forest Road, Orange, NSW 2800.  |
| <b>ASIC</b>                                  | Australian Securities and Investments Commission.  |
| <b>Associate</b>                             | the meaning given to "Associate" in clause 1.1 of the Scheme Implementation Agreement.   |
| <b>ASX</b>                                   | ASX Limited or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.  |
| <b>Brencon</b>                               | Brencon Pty Ltd ACN 088 963 197.   |
| <b>Business Day</b>                          | a day that is not a Saturday, Sunday, public holiday or bank holiday in Melbourne, Victoria.   |
| <b>Capital Return</b>                        | the proposed equal capital reduction of 1.0 cent cash per Unity Share under Chapter 2J of the Corporations Act.  |
| <b>Capital Return Resolution</b>             | the resolution to be put to Unity Shareholders at the Special General Meeting to approve the Capital Return.   |
| <b>CGT</b>                                   | Australian capital gains tax.  |
| <b>Chairman</b>                              | the Chairman of the Unity Board.   |
| <b>Competing Proposal</b>                    | any expression of interest, offer or proposal by any person (other than PYBAR or its Associates): (a) to consider or enter into any transaction which, if ultimately completed, will have the result that any person will, or would reasonably be expected to, acquire voting power in 20% or more of Unity Shares or to acquire control of Unity within the meaning of section 50AA of the Corporations Act, including by way of a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, shareholder-approved Unity Share acquisition or issuance, share buy-back or repurchase, reverse takeover, establishment of a new holding entity for Unity or any other transaction or arrangement with Unity; (b) to acquire, have a right to acquire or obtain an economic interest in (whether directly or indirectly) the assets (excluding cash and including the Dargues or Henty gold mints), or business of the Unity Group; or (c) to form a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement or merger in respect of Unity. |
| <b>Corporations Act</b>                      | <i>Corporations Act 2001</i> (Cth).  |
| <b>Corporations Regulations</b>              | <i>Corporations Regulations 2001</i> (Cth).  |
| <b>Court</b>                                 | the Supreme Court of Victoria.   |
| <b>Deed Poll</b>                             | the deed poll dated 17 February 2016 executed by Diversified Minerals in favour of Unity Shareholders, a copy of which is contained in Annexure 5 .  |
| <b>Directors</b>                             | the Directors of Unity, in office at the date of lodgement of this Explanatory Booklet for registration by ASIC, or in office from time to time, as the context requires.  |
| <b>Diversified Minerals</b>                  | Diversified Minerals Pty Ltd (ACN 603 135 584) of 1668-1670 Forest Road, Orange, NSW 2800.   |
| <b>Diversified Minerals Prescribed Event</b> | the meaning given to "Bidder Prescribed Event" in clause 1.1 of the Scheme Implementation Agreement.   |
| <b>Effective</b>                             | when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to the Scheme.   |
| <b>Effective Date</b>                        | the date on which an office copy of the Court order made under section 411(4)(b) of the Corporations Act approving the Scheme is lodged with ASIC.   |
| <b>Excluded Shareholder</b>                  | Diversified Minerals and any Associate of Diversified Minerals that is a Unity Shareholder.  |
| <b>Exclusivity Period</b>                    | the period between the date of the Scheme Implementation Agreement and the earliest of: (a) the Implementation Date; (b) the date the Scheme Implementation Agreement is terminated in accordance with its terms; and (c) the Sunset Date.   |

|  |   |
|--|---|
| <b>Explanatory Booklet</b>                       | this Document.  |
| <b>GST</b>                                       | goods and services tax as defined in the GST Act, any other Goods and Services Tax, or any like tax applying to the performance of any obligations under this agreement in a similar way and any additional tax, penalty tax, fine, interest or other charge under a law for such a tax.  |
| <b>GST Act</b>                                   | <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).  |
| <b>Implementation Date</b>                       | the date on which the Transaction is to be implemented, being the third Business Day after the Record Date (expected to be Wednesday, 20 April 2016).   |
| <b>Independent Expert</b>                        | Sumner Hall Associates Pty Ltd (ABN 72 074 140 177).  |
| <b>Independent Expert's Report</b>               | the report prepared by the Independent Expert (and any update to such report that the Independent Expert issues), a copy of which is contained in Annexure 1.   |
| <b>Independent Technical Specialist</b>          | AMC Consultants Pty Ltd (ABN 58 008 129 164).   |
| <b>Independent Technical Specialist's Report</b> | the report prepared by the Independent Technical Specialist (and any update to such report the Independent Technical Specialist issues) a copy of which accompanies the Independent Expert's Report contained in Annexure 1.  |
| <b>JORC Code</b>                                 | the Joint Ore Reserve Committee Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012.  |
| <b>Listing Rules</b>                             | the official listing rules of the ASX as amended from time to time.   |
| <b>Material Adverse Change</b>                   | the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement.  |
| <b>Meeting</b>                                   | the Special General Meeting and/or the Scheme Meeting, as the context requires.   |
| <b>Mineral Resource</b>                          | the meaning given in the JORC Code.   |
| <b>Net Cash</b>                                  | the meaning given to that term in clause 1.1 of the Scheme Implementation Agreement.  |
| <b>Notice of Scheme Meeting</b>                  | the notice of meeting relating to the Scheme, a copy of which is contained in Annexure 3.   |
| <b>Notice of Special General Meeting</b>         | the notice of meeting relating to the Special General Meeting to approve the Capital Return, a copy of which is contained in Annexure 2.  |
| <b>Nucanopi</b>                                  | Nucanopi Pty Limited ACN 062 621 756.   |
| <b>Option or Unity Option</b>                    | any option to subscribe for Unity Shares, issued pursuant to Unity's Executive Incentive Plan Rules approved by Unity Shareholders at Unity's General Meeting on 31 August 2015.  |
| <b>Optionholder or Unity Optionholder</b>        | the holder of a Unity Option.   |
| <b>Ore Reserves</b>                              | the meaning given in the JORC Code.   |
| <b>Performance Right</b>                         | a right to be issued a Unity Share for nil consideration.   |
| <b>Proposal</b>                                  | the proposed Scheme under which it is proposed that Diversified Minerals will acquire 100% of the Unity Shares not already owned or controlled by the Excluded Shareholders for 1.9 cents cash per Scheme Share.  |
| <b>PYBAR</b>                                     | Pybar Holdings Pty Limited ACN 088 981 757  |
| <b>PYBAR Group</b>                               | PYBAR and its Subsidiaries.   |
| <b>Record Date</b>                               | the date for determining entitlements to receive the Scheme Consideration under the Scheme and the Capital Return, being the fifth Business Day after the Effective Date (expected to be 7:00pm (Melbourne time) on Friday, 15 April 2016).   |
| <b>Register</b>                                  | the register of Unity Shareholders maintained in accordance with the Corporations Act.  |
| <b>Related Bodies or Body Corporate</b>          | the meaning given to that term in the Corporations Act.   |
| <b>Requisite Majorities</b>                      | the threshold for approval of a resolution on a Scheme of Arrangement between a body and its members under Part 5.1 of the Corporations Act, being votes 'in favour' of the resolution received from a majority in number (more than 50%) of the members, present and voting, either in person or by proxy, attorney or in the case of a corporation its duly appointed corporate representative, unless the Court orders otherwise and at least 75% of the votes |

|  |  |
|--|--|
|  | cast on the Scheme Resolution.   |
| <b>Scheme Resolution</b>               | the resolution to approve the terms of the Scheme, as set out in the Notice of Scheme Meeting.   |
| <b>Scheme or Scheme of Arrangement</b> | the Scheme of Arrangement under Part 5.1 of the Corporations Act to be proposed between Unity and the Unity Shareholders (other than the Excluded Shareholders), a copy of which is contained in Annexure 4, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by Unity and Diversified Minerals.   |
| <b>Scheme Consideration</b>            | 1.9 cents cash per Unity Share.  |
| <b>Scheme Implementation Agreement</b> | the Scheme Implementation Agreement dated 6 December 2015 (and the letter of amendment dated 10 February 2016) between Unity and Diversified Minerals, a copy of which (without annexures) together with the letter of amendment is contained in Annexure 6 .  |
| <b>Scheme Meeting</b>                  | the meeting of Unity Shareholders (other than Excluded Shareholders) ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act.   |
| <b>Scheme Share</b>                    | a Unity Share held by a Scheme Shareholder as at the Record Date.  |
| <b>Scheme Shareholder</b>              | each person who holds a Unity Share as at the Record Date other than an Excluded Shareholder.  |
| <b>Second Court Date</b>               | the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act to approve the Scheme, expected to be Friday, 8 April 2016 or, if the application is adjourned or subject to appeal for any reason, the first day of which the adjourned or appealed application is heard.   |
| <b>Second Court Hearing</b>            | the Court hearing on the Second Court Date for the purposes of the Court granting an order to approve the Scheme under section 411(4)(b) of the Corporations Act.  |
| <b>Special General Meeting</b>         | the meeting of Unity Shareholders to vote on the Capital Return.   |
| <b>Subsidiary</b>                      | the meaning given to that term in the Corporations Act.  |
| <b>Sunset Date</b>                     | 5:00pm on 31 May 2016 or earlier in accordance with clause 6.4(b) of the Scheme Implementation Agreement, or such other date and time agreed in writing between Unity and Diversified Minerals.  |
| <b>Superior Proposal</b>               | a Competing Proposal which in the determination of the Unity Board, acting in good faith (after having taken advice from their legal and financial advisers): (a) is reasonably capable of being completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and (b) would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Unity Shareholders as a whole than the Scheme, taking into account all terms and conditions of the Competing Proposal. |
| <b>Total Cash Payments</b>             | 2.9 cents per Unity Share, comprising the Capital Return and the Scheme Consideration.   |
| <b>Transaction</b>                     | the acquisition by Diversified Minerals, through its wholly-owned subsidiary, Acquirer, of all of the Unity Shares that Diversified Minerals or its associates do not already own or control under the Scheme and the contemporaneous Capital Return.  |
| <b>Unity or the Company</b>            | Unity Mining Limited (ACN 005 564 073) and, where the context requires, includes its wholly owned subsidiaries.  |
| <b>Unity Board</b>                     | the Board of Directors of Unity.   |
| <b>Unity Constitution</b>              | the Unity constitution as amended from time to time.   |
| <b>Unity Group</b>                     | Unity and its subsidiaries.  |
| <b>Unity Prescribed Event</b>          | the meaning given to "Target Prescribed Event" in clause 1.1 of the Scheme Implementation Agreement.   |
| <b>Unity Share</b>                     | a fully paid ordinary share in Unity.  |
| <b>Unity Share Registry</b>            | Boardroom Pty Limited.   |
| <b>Unity Shareholder</b>               | each person or entity registered in the Register as a holder of Unity Shares.  |

## 11.2 Interpretation

In this Explanatory Booklet:

- a) other words and phrases have the same meaning (if any) given to them in the Corporations Act;
- b) words of any gender include all genders;
- c) words importing the singular include the plural and vice versa;
- d) an expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- e) a reference to a Section or Annexure is a reference to a Section of or Annexure of this Explanatory Booklet as relevant;
- f) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them;
- g) headings and bold type are for convenience only and do not affect the interpretation of this Explanatory Booklet;
- h) a reference to time is a reference to Melbourne (Australia) time;
- i) unless otherwise indicated, a reference to dollars, \$ and cents is a reference to the lawful currency of the Commonwealth of Australia and excludes GST;
- j) an accounting term is a reference to that term as it is used in accounting standards under the Corporations Act, or, if not inconsistent with those standards, in accounting principles and practices generally accepted in Australia; and
- k) the words “include”, “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind.



## **Section 12**

### **Corporate Directory**

## 12 Corporate Directory

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### **Directors**

Clive Jones (Non Executive Chairman)  
Frank Terranova (Acting Managing Director)  
Gary Davison (Non Executive Director)

### **Company Secretary**

Melanie Leydin

### **Website**

[www.unitymining.com.au](http://www.unitymining.com.au)

### **Securities Exchange Listing**

Unity Mining Limited is listed on the ASX (Code:UML)

### **Registered Office**

Unity Mining Limited  
Level 10, 350 Collins Street  
Melbourne VIC 3000  
Telephone: +61 3 8622 2333

### **Share Registry**

Boardroom Pty Limited  
Level 12, 225 George Street  
Sydney NSW 2000  
Telephone: +61 2 9290 9600

### **Legal Adviser**

Baker & McKenzie  
Level 19, 181 William Street  
Melbourne VIC 3000

### **Financial Adviser**

Grant Samuel Corporate Finance Pty Ltd  
Level 6, 1 Collins Street  
Melbourne VIC 3000

### **Independent Expert**

Sumner Hall Associates Pty Ltd  
48 Darling Point Road  
Darling Point NSW 2027

### **Independent Technical Specialist**

AMC Consultants Pty Ltd  
Level 21, 179 Turbot Street  
Brisbane QLD 4000

**Annexure 1**  
**Independent Expert's Report (and**  
**Independent Technical Specialist's Report)**

# SUMNER HALL ASSOCIATES PTY LTD

17 February 2016

The Directors  
Unity Mining Limited  
Level 10  
350 Collins Street  
Melbourne  
Victoria 3000

ABN 72 074 140 177  
AFS LICENCE NO. 231214

48 DARLING POINT ROAD  
DARLING POINT  
NSW 2027  
AUSTRALIA

|       |  |
|-------|--|
| PHONE | +61 2 9328-0475  |
| EMAIL | <a href="mailto:sumner.hall@bigpond.com">sumner.hall@bigpond.com</a> |
| WEB   | <a href="http://www.sumnerhall.com">www.sumnerhall.com</a>           |

Dear Sirs,

## **Independent Expert's Report - Proposed Transaction with Diversified Minerals Pty Ltd**

### **1 Introduction**

The Directors of Unity Mining Limited ("Unity Mining") announced on 7 December 2015 that they had agreed to recommend that shareholders, in the absence of a superior offer, vote in favour of a proposed transaction in which Diversified Minerals Pty Ltd ("Diversified Minerals") would acquire all of the shares in Unity Mining that it does not already own or control ("the Scheme shares") pursuant to a scheme of arrangement ("the Scheme") and a contemporaneous return of capital ("the Capital Return") to Unity Mining shareholders (collectively, "the Proposed Transaction"). The total cash payment will be 2.9¢ per Unity Mining share comprising a payment of 1.9¢ per share from the Scheme and 1.0¢ per share from the Capital Return.

Diversified Minerals is an associate of the PYBAR Group. The PYBAR Group has its origins in the establishment of PYBAR Pty Ltd as a mining services business in New South Wales in 1993. That company was renamed as PYBAR Mining Services Pty Ltd in 1995 and has grown to become one of the largest hard rock underground mining contractors in Australia. The PYBAR Group is privately owned. Other companies in the PYBAR Group include HMR Drilling Services Pty Ltd (an underground core drilling and surface exploration drilling business), JTMEC Pty Ltd (an electrical engineering business) and PJI Group Pty Ltd (a mechanical engineering and mine maintenance business).

The Scheme will involve the transfer of the Scheme shares to Diversified Minerals (Management) Pty Ltd, a wholly owned subsidiary of Diversified Minerals, in exchange for a payment of 1.9¢ per Unity Mining share (including shares that will be created in exchange for the cancellation of unvested performance rights). Contemporaneously, Unity Mining will make a payment of 1.0¢ per share to Unity Mining shareholders pursuant to the Capital Return. This payment is in addition to the cash payment of 1.9¢ per share pursuant to the Scheme. A separate agreement has been reached in relation to outstanding options to acquire ordinary shares in Unity Mining. Conditional on the Proposed Transaction becoming effective, option holders will receive a cash payment of 0.86¢ per option and the outstanding options will be cancelled. Accordingly, approval of the Proposed Transaction will result in Diversified Minerals owning 100% of the issued capital of Unity Mining.

There is no requirement in the Corporations Act, 2001 ("the Corporations Act") for an independent expert's report to be prepared in relation to the Scheme or the Capital Return. Nonetheless, the Directors of Unity Mining have requested that Sumner Hall Associates Pty Ltd ("Sumner Hall") prepare an independent expert's report setting out Sumner Hall's opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders and whether the Capital Return would materially prejudice the ability of Unity Mining to pay its creditors. Sumner Hall is independent of Unity Mining and has no other involvement with, or interest in the outcome of, the Proposed Transaction. This report has been prepared to assist the Directors of Unity Mining in making their recommendations to shareholders in relation to the Proposed Transaction.

A copy of this report is to be included in the Explanatory Booklet to be sent by Unity Mining to its shareholders.

## 2 Summary and Conclusions

**In Sumner Hall's opinion, the Proposed Transaction is fair and reasonable and, therefore, the Proposed Transaction is in the best interests of Unity Mining shareholders in the absence of a superior proposal.**

The proposed total cash payment of 2.9¢ for each Unity Mining share is within Sumner Hall's estimate of the underlying value for 100% control of the shares in Unity Mining in the range 2.3-3.6¢ per share and, accordingly, the price offered in the Proposed Transaction is fair.

The proposed total cash payment represents a significant premium to the price at which shares in Unity Mining had traded in the period leading up to the announcement of the Proposed Transaction. The combined payment of 2.9¢ per share represents a premium of 45% over the last trading price of 2.0¢ immediately prior to the announcement of the Proposed Transaction and a 50% premium to the 1.94¢ average price at which Unity Mining shares traded over the three months preceding the announcement of the Proposed Transaction. Over a longer period, the proposed total cash payment of 2.9¢ per share represents a 128% premium to the 1.27¢ average price at which Unity Mining shares had traded over the twelve months preceding the announcement of the Proposed Transaction (adjusted for the 0.5¢ capital return that took place in early September 2015). It is reasonable to expect that Unity Mining shares would trade at prices lower than current market prices in the absence of the Proposed Transaction or some other material price sensitive information such as an alternative proposal for the acquisition of Unity Mining or a significant positive change in the prospects for the company's gold businesses. The company would also require a significant amount of additional cash to fund the development of the Dargues Gold Mine and other exploration activities. The potential dilution from any such capital raising would place downward pressure on the Unity Mining share price.

An expanded summary of the reasons for Sumner Hall's opinion is set out below:

- **Sumner Hall has valued Unity Mining in the range 2.3-3.6¢ per share.**

Sumner Hall's valuation of Unity Mining is summarised below:

| Unity Mining – Valuation Summary (\$ millions)            |                               |              |
|---|-------------------------------|--------------|
|   | Valuation Range (\$ millions) |              |
|   | Low                           | High         |
| Dargues Gold Mine   | 8.0                           | 20.0         |
| Henty Gold Mine   | 4.0                           | 6.0          |
| Gold exploration assets                                   | 0.4                           | 2.2          |
| Corporate office costs                                    | (3.5)                         | (9.5)        |
| <b>Combined value of continuing gold businesses</b>       | <b>8.9</b>                    | <b>18.7</b>  |
| Cash and cash equivalents                                 | 18.1                          | 18.1         |
| Discontinued interest in Kangaroo Flat Gold Mine          | -                             | 4.7          |
| Investment in GoldStone Resources                         | 0.4                           | 0.4          |
| Bank term deposits (not required for environmental bonds) | 0.9                           | 0.9          |
| Carryforward tax losses                                   | -                             | <sup>1</sup> |
| Non-recurring liabilities relating to Henty Gold Mine     | (1.6)                         | (1.6)        |
| Cancellation of options                                   | (0.4)                         | (0.4)        |
| Finance lease liabilities                                 | (0.1)                         | (0.1)        |
| Subtotal of other assets and liabilities                  | 17.3                          | 22.0         |
| <b>Net value of Unity Mining</b>                          | <b>26.2</b>                   | <b>40.7</b>  |
| Shares on issue <sup>2</sup> (millions)                   | 1,144.708                     | 1,144.708    |
| <b>Net value per share</b>                                | <b>2.3¢</b>                   | <b>3.6¢</b>  |

- 1 The high end of the valuation range for the Dargues Gold Mine effectively incorporates a value for carryforward tax losses because it takes into account, in some scenarios, the possibility that income tax will be less than 30% due to the availability of carryforward tax losses. However, it should be noted that the carryforward tax losses are unlikely to be able to be utilised by a purchaser of Unity Mining or the Dargues Gold Mine and may be of limited use even if the ownership of Unity Mining does not change.
- 2 This figure includes shares that will be issued from the vesting of performance rights.

Unity Mining has been valued by aggregating the estimated fair market value of the individual gold businesses (and the corporate costs necessary to sustain them) and the net realisable value of the other assets and liabilities of Unity Mining. This value is appropriate for the acquisition of Unity Mining as a whole and, accordingly, incorporates a premium for control. A value determined on this basis would usually exceed the price at which shares will trade on the sharemarket in the absence of a takeover offer or other proposal involving a change in control and assuming that the market is fully informed.

Differing approaches have been adopted in relation to valuing each of the three main gold businesses of Unity Mining:

- i) the Dargues Gold Mine has been assessed on the basis of a value per ounce of contained gold in ore resources and reserves implied by transactions involving the purchase and sale of other gold assets at a similar stage of development and, alternatively, a discounted cash flow valuation based on the feasibility study and life-of-mine plan for the Dargues Gold Mine;
- ii) the Henty Gold Mine has been assessed on the basis of a value per ounce of contained gold in ore resources implied by transactions involving the purchase and sale of comparable gold assets together with consideration of a technical specialist's assessment of exploration asset values and actual and proposed transactions involving the purchase and sale of interests in the Henty Gold Mine; and
- iii) the other gold exploration assets have been assessed on the basis of a technical specialist's assessment of exploration asset values.

Other assets and liabilities have been valued based on estimated net realisable value.

Based on the valuation approach that is described briefly above and set out in detail in the valuation section of this report, Sumner Hall has valued 100% of Unity Mining in the range \$26.2-40.7 million which represents 2.3-3.6¢ per share. The proposed total cash payment of 2.9¢ for Unity Mining shares is within the range of Sumner Hall's estimate of the underlying value for 100% control of the shares in Unity Mining and, accordingly, the price offered in the Proposed Transaction is fair.

The valuation range is fairly wide. The principal reason for this is the dichotomy of the Dargues Gold Mine. On the one hand, the Dargues Gold Mine is a pre-development asset that has a history of local opposition to its development. Although most of the permitting for the project has been obtained, the company's application for planning permission to extend the mining lease beyond 2018 is awaiting approval. A significant commitment for funding of development capital will be necessary before the project can move forward. Unity Mining is unlikely to be able to fund development of the mine from the company's existing capital structure and shareholder base. Dilution in the value of Unity Mining's interest in the Dargues Gold Mine is almost certain to occur as a result of any funding arrangements that might be put in place. On the other hand, the feasibility study and life-of-mine plan exhibit an attractive set of figures. The production and cost estimates from those studies result in a significant net present value. However, the mine has a short life and the positive net present value arises in the final two years after five years of cumulative negative net cash flow. This poses additional areas of risk for potential purchasers of the Dargues Gold Mine.

In October 2015, following receipt of a number of indicative proposals in relation to various assets and other strategic initiatives, the Directors of Unity Mining determined that it was in the interests of Unity Mining shareholders to conduct a comprehensive strategic review to examine all options to maximise shareholder value (including Unity Mining continuing as a standalone company). Unity Mining and its advisers actively progressed discussions with a number of parties on a range of potential transactions, including potential change of control proposals and potential asset sales. The Directors of Unity Mining concluded that the Proposed Transaction was superior to all of the alternatives that were presented. Although discussions were progressed with a number of parties regarding the Dargues Gold Mine (including a review of the feasibility study, life-of-mine plan and other technical due diligence information) as part of the strategic review, no definitive proposals were received regarding a purchase of the Dargues Gold Mine.

Individual shareholders who form different views on value based on the information that has been provided to Sumner Hall might be able to justify a view that the price offered in the Proposed Transaction is too low. For example, individual shareholders who hold bullish views regarding the development of the Dargues Gold Mine and who discount the possibility that the project would remain

undeveloped and be sold as is or the possibility that the financial outcome of the project would not meet the expectations that are set out in the feasibility study and the life-of-mine plan might form such a view. However, on the balance of probabilities, that is not Sumner Hall's view and any such conclusion is a matter for those individual shareholders. Those views do not appear to be shared by potential purchasers of Unity Mining or the sharemarket generally.

- **Additional factors have been considered in determining whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders.**

An offer price that is fair is also, by definition, reasonable and in the best interests of shareholders. Accordingly, the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders. Sumner Hall has, nonetheless, considered other factors in reaching its conclusion.

The Proposed Transaction provides Unity Mining shareholders with the ability to sell their shares for cash at a price that significantly exceeds the recent trading range for Unity Mining shares. The opportunity for Unity Mining shareholders to realise this value may not be otherwise available for some time, at least not in the short term.

In the absence of the Proposed Transaction (or some other material price sensitive information such as an alternative proposal for the acquisition of Unity Mining or a significant positive change in the prospects for the company's gold businesses), it is reasonable to expect that Unity Mining shares would trade at prices significantly below current market prices (which reflect the 1.9¢ offer price to be paid by Diversified Minerals and the proposed capital return of 1.0¢ per share if the Proposed Transaction is approved). These prices would almost certainly not be sustained, at least in the short term, if Unity Mining were to remain listed as is. Unity Mining shares have not traded at prices as high as the proposed total cash payment of 2.9¢ since March 2014 when a capital raising to raise \$6 million at a price of 2.7¢ per share (which was a 17.5% discount to the pre-capital raising market price) took place. That capital raising was made at a time when the company expected the Henty Gold Mine to continue to operate for four or more years and the Dargues Gold Mine, although delayed, was no less prospective than it is now. In the event that the Proposed Transaction is not approved and Unity Mining was to remain listed, the company would also eventually require additional cash to fund the development of the Dargues Gold Mine and other exploration activities. The potential dilution from a significant capital raising to fund those activities would place downward pressure on the Unity Mining share price.

The proposed total cash payment of 2.9¢ per share to be paid to Unity Mining shareholders represents a premium of 45% over the last trading price of 2.0¢ immediately prior to the announcement of the Proposed Transaction and a 50% premium to the 1.94¢ average price at which Unity Mining shares traded over the three months preceding the announcement of the Proposed Transaction. Over a longer period, the proposed total cash payment of 2.9¢ per share represents a 128% premium to the 1.27¢ average price at which Unity Mining shares had traded over the twelve months preceding the announcement of the Proposed Transaction (adjusted for the 0.5¢ capital return that took place in early September 2015). This is well above the level of premiums that are generally observed in takeovers and schemes of arrangement in the Australian market that tend to be in the range 25-35% compared to the pre-offer share trading price. However, it is important to recognise that:

- i) takeover premiums are observed outcomes rather than determinants of value;
- ii) pre-offer share prices can sometimes reflect takeover speculation or other unusual factors; and
- iii) takeover premiums vary widely depending on individual circumstances including many instances where the takeover premium is well below or well above the 25-35% range that is often cited as the typical range.

The share register of Unity Mining is widely held and there is no individual shareholding in Unity Mining that could block an alternative potential purchaser to Diversified Minerals. However, Diversified Minerals' 13.7% shareholding could be used to prevent compulsory acquisition in a takeover offer and would make it difficult for a counter bidder to achieve 100% ownership through a scheme of arrangement. Unity Mining has agreed to no-shop, no-talk and no-due diligence provisions and a break fee arrangement with Diversified Minerals. Diversified Minerals has also been granted the right to match any unsolicited competing proposal. Although these types of provisions are no longer unusual in the Australian market and the break fee of \$400,000 does not present a material barrier to alternative proposals, these provisions could still inhibit a counter bidder. In any event, the opportunity

to put forward an alternative proposal will remain until the Proposed Transaction meeting and the Directors of Unity Mining would consider any such proposal on its merits if and when it arose.

▪ **The Capital Return does not materially prejudice the ability of Unity Mining to pay its creditors.**

An integral part of the Proposed Transaction is a 1.0¢ per share return of capital to Unity Mining shareholders. In Sumner Hall's opinion, the ability of Unity Mining to pay its existing creditors would not be materially prejudiced by the Capital Return. The principal reasons for this conclusion are that:

- i) the Capital Return involves a significant net cash outflow of approximately \$11.5 million relative to the balance for cash and cash equivalents of approximately \$18 million as at 31 December 2015. However, Unity Mining has no debt (apart from a small residual balance of finance lease liabilities) and the company will have a cash balance that is surplus to its minimum operating requirements even after the Capital Return;
- ii) apart from approximately \$1.8 million of employee entitlements and tax related creditors, most if not all of Unity Mining's remaining trade creditors are short term in nature (*i.e.*, repayable within a relatively short period of 30-90 days at any point in time) and those creditors would therefore have the opportunity to reassess for themselves whether to continue to provide credit to Unity Mining; and
- iii) the estimated potential environmental and rehabilitation liabilities of Unity Mining are the subject of bank guarantees secured by bank term deposits that are additional to the operating bank accounts of Unity Mining.

Sumner Hall makes no warranty, express or implied, regarding the potential recoverability of existing and contingent debts owed by Unity Mining as at the date of this report or any subsequent date. Parties who may become creditors of Unity Mining in future must rely on their own investigations of the financial position of Unity Mining in that respect.

▪ **Unity Mining shareholders should also consider certain other matters when making a decision in relation to the Proposed Transaction.**

Sumner Hall's opinion has been formed on the basis of business conditions specific to Unity Mining and other general economic and market conditions that applied during the weeks leading up to the date of this report.

Sumner Hall has been engaged to prepare an independent expert's report setting out its opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders. Sumner Hall has not been engaged to provide a recommendation to Unity Mining shareholders in relation to the Proposed Transaction. Responsibility for a recommendation in relation to the Proposed Transaction rests with the Directors of Unity Mining.

In any event, approval or rejection of the Proposed Transaction is ultimately a matter for individual shareholders based on each shareholder's views as to the value of Unity Mining, expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Unity Mining shareholders who are in any doubt as to the action that they should take in relation to the Proposed Transaction should consult their own professional adviser.

Sumner Hall has prepared a Financial Services Guide as required by the Corporations Act. Sumner Hall's Financial Services Guide is included as Annexure C to this report.



### **3 Scope of the Report**

#### **3.1 Purpose of the Report**

The Proposed Transaction is being undertaken pursuant to Part 5.1, Section 411 of the Corporations Act. Section 412(1) of the Corporations Act requires, for any meeting convened under Section 411, that an explanatory statement (in this case, the Explanatory Booklet) must be sent to shareholders explaining the effect of the proposal and setting out such information as is prescribed and any other information that is material to the making of a decision by a shareholder as to whether or not to agree to the proposal.

Part 3 of Schedule 8 of the Corporations Regulations 2001 sets out the prescribed information relating to proposals made under Section 411 of the Corporations Act including the Proposed Transaction. Part 3 of Schedule 8 stipulates that the Explanatory Booklet must include an independent expert's report if:

- i) the other party to the proposal has a relevant interest in the company of 30% or more; or
- ii) a director of any corporation that is the other party to the proposal is also a director of the company that is the subject of the proposal.

In this case, Diversified Minerals held 13.7% of the shares in Unity Mining at the time of the announcement of the Proposed Transaction and none of the directors of Diversified Minerals were directors of Unity Mining. Accordingly, there is no requirement for an independent expert's report to be prepared for inclusion in the Explanatory Booklet. Nonetheless, the Directors of Unity Mining have requested that Sumner Hall prepare an independent expert's report setting out Sumner Hall's opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of shareholders.

The Capital Return is being made pursuant to Part 2J.1, Section 256B(1) of the Corporations Act. Section 256B(1) provides that a company may reduce its share capital if the reduction is fair and reasonable to shareholders as a whole and does not materially prejudice the company's ability to pay its creditors. There is no requirement for an independent expert's report to be prepared for the purpose of Section 256B(1) but the Directors of Unity Mining have nonetheless requested that Sumner Hall also consider whether the Proposed Transaction would materially prejudice the company's ability to pay its creditors.

Sumner Hall is independent of Unity Mining and has no other involvement with, or interest in, the outcome of the Proposed Transaction. A copy of this report is to be despatched to Unity Mining shareholders along with the Explanatory Booklet issued by Unity Mining. This report has been prepared by Sumner Hall to assist the Directors of Unity Mining in making their recommendation to shareholders in relation to the Proposed Transaction. The sole purpose of this report is an expression of Sumner Hall's opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders. This report should not be used for any other purpose or by any other party. To the extent that this report is used by any party other than the Directors of Unity Mining, this report would constitute general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual shareholders in Unity Mining. Shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs before acting in relation to their holdings. Shareholders should read the Explanatory Booklet issued by Unity Mining in relation to the Proposed Transaction.

#### **3.2 Basis of the Report**

Regulatory Guide 111, published by the Australian Securities & Investments Commission ("ASIC"), sets out the principles and matters that ASIC expects an independent expert to take into account when preparing a report for a proposal pursuant to Section 411 of the Corporations Act. Schemes of arrangement pursuant to Section 411 of the Corporations Act can encompass a wide variety of transaction types. Accordingly, Regulatory Guide 111 differentiates between the analysis that should apply to transactions involving a change in control of a company and other transactions.

In the context of transactions involving a change in control (such as the Proposed Transaction)<sup>3</sup>, the expert is required to determine whether the transaction is “*fair*” and whether it is “*reasonable*” as discrete concepts. Fairness involves a comparison of the offer price with the value that can be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. Any existing entitlement to securities by the offeror is to be ignored and the value is to be determined on the basis that 100% ownership of the company is available. Reasonableness, by contrast, involves an analysis of factors other than the relationship between price and value that security holders might consider in determining whether to accept or reject a proposal including:

- i) the offeror’s existing shareholding and other significant shareholdings;
- ii) the likelihood of an alternative offer; and
- iii) the liquidity of the market for the company’s shares.

Fairness is a more demanding criterion than reasonableness. A proposal that is “*fair*” will also always be “*fair and reasonable*” (both logically and by definition, according to Regulatory Guide 111) but a proposal that is “*reasonable*” may not necessarily be “*fair*”. A proposal might be considered reasonable, even if it was not fair, provided that there were valid reasons to accept the offer notwithstanding that the offer price was less than the value of the underlying businesses and assets. For example, an offer price that is in excess of pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely to realise an amount for their shares in excess of the offer price in the foreseeable future. This is often the case where an offeror already controls the target company and shareholders therefore have little prospect of receiving a proposal from a third party offering full value for their shares.

In the case of the Proposed Transaction, the proposal has essentially the same effect as a takeover offer for Unity Mining. Sumner Hall has evaluated the Proposed Transaction as a control transaction and formed an opinion as to whether the Proposed Transaction is fair and reasonable and, therefore, in the best interests of Unity Mining shareholders.

Sumner Hall has determined whether the Proposed Transaction is fair by comparing the price to be paid by Diversified Minerals with the estimated value range for Unity Mining’s underlying businesses and assets. In considering whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders, the factors that have been considered include whether the Proposed Transaction is fair, the existing shareholding structure of Unity Mining, the likelihood of an alternative offer or proposal that could realise fair value, the likely market price and liquidity of Unity Mining shares in the absence of the Proposed Transaction and any other benefits that might arise from the Proposed Transaction.

### 3.3 Sources of Information

During the course of preparing this report, Sumner Hall held discussions with, and received information from, senior management and directors of Unity Mining and its advisors. In preparing this report, Sumner Hall has utilised and relied upon, without independent verification, the following information:

- i) the Scheme Implementation Agreement between Unity Mining and Diversified Minerals Pty Ltd dated 6 December 2015 in relation to the Proposed Transaction;
- ii) a draft Explanatory Booklet in relation to the Proposed Transaction dated 18 January 2016;
- iii) the Annual Reports of Unity Mining for the years ended 30 June 2015 and 30 June 2014;
- iv) the Half-Year Report of Unity Mining for the six months ended 31 December 2015;
- v) press releases, stock exchange announcements and other public filings by Unity Mining;

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3 For other types of transactions besides control transactions, whether the proposal is “*in the best interests of*” security holders must be capable of a broad interpretation to meet the particular circumstances of each transaction. This usually involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether various classes of security holders are likely to be better off if the proposal is implemented than if it is not.

- vi) the management accounts of Unity Mining for the period ended 31 December 2015;
- vii) other confidential documents including strategic plans and board reports related to the business operations of Unity Mining;
- viii) annual reports, stock exchange announcements, investor and analysts' presentations, brokers' analysts reports and press clippings on publicly listed gold companies and transactions involving acquisitions of interests in gold companies and related sharemarket data.

This report has also been prepared having regard to the principles set out in the Code and Guidelines for Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports ("the Valmin Code"), including the Valmin Code Exposure Draft dated April 2015, to the extent practical and appropriate. AMC Consultants Pty Ltd ("AMC") was appointed as an independent technical specialist to review the gold assets of Unity Mining. AMC's role included a review of the geological resource and reserves, life-of-mine plan, production schedule, mining and mineral processing techniques, capital costs and operating costs for the Dargues Gold Mine. AMC reviewed the geological resources and reserves for Unity Mining's other gold assets and prepared valuations of Unity Mining's gold assets, including the Dargues Gold Mine, on a resource oriented pre-development or exploration basis. AMC also reviewed the environmental rehabilitation and closure plans for Unity Mining's gold assets. Sumner Hall has considered and relied upon AMC's report. A copy of AMC's report is included as Annexure A to this report.

### **3.4 Limitations and Reliance on Information**

Sumner Hall's opinion is based on economic, financial market, business trading and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time and, if they did change materially, the valuations and opinions expressed in this report could be different.

This report is also based upon financial and other information provided by Unity Mining. Sumner Hall has considered and relied upon this information. Sumner Hall has no reason to believe that any material facts have been withheld. The information provided to Sumner Hall has been evaluated through analysis, enquiry and review for the purposes of forming an opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders. However, Sumner Hall does not warrant that its enquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. Sumner Hall has made what it considers to be appropriate enquiries for the purpose of forming its opinion but "due diligence" of the type undertaken by companies and their advisers in relation to prospectuses, profit forecasts and acquisitions is beyond the scope of an independent expert's report. Accordingly, this report and Sumner Hall's opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders should be considered more in the nature of an overall review rather than a comprehensive audit or detailed investigation.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgment of management. This type of information was also evaluated through analysis, enquiry and review to the extent practical. However, such information is not always capable of external verification or validation.

The information provided to Sumner Hall and AMC included feasibility studies, life-of-mine plans, closure plans, forecasts of future production, revenues, expenditures, profits and cash flows. Unity Mining is responsible for this information. Sumner Hall and AMC have assumed that any forward looking information was prepared appropriately and accurately based on the information available to management at the time and within the practical constraints and limitations of such forward looking information. It has been assumed that this information does not reflect any material bias, either positive or negative. Sumner Hall and AMC have no reason to believe otherwise. The major assumptions underlying the forward looking information have been considered by Sumner Hall and AMC and are believed to be reasonable in the context of current economic, market and other conditions. However, neither Sumner Hall nor AMC in any way guarantee or otherwise warrant the achievability of the outcomes contemplated in the forward looking information. This type of information is inherently uncertain. This information represents predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the

company and its management. Actual results may be significantly more or less favourable.

Preparation of this report does not imply that Sumner Hall has audited in any way the management accounts or other books and records of Unity Mining. It is understood that the accounting information that was provided to Sumner Hall was prepared in accordance with Australian equivalents to International Financial Reporting Standards and in a manner consistent with the method of accounting in previous years unless otherwise noted.

In forming its opinion, Sumner Hall has also assumed that matters such as title, compliance with laws and regulations, and contracts in place are in good standing and will remain so and that there are no material legal proceedings. AMC was provided with tenement title reports and has reviewed and considered those reports in forming the views that are set out in the AMC report. To the extent that there are legal issues relating to assets, properties or business interests or issues relating to compliance with applicable laws, regulations and policies, Sumner Hall assumes no responsibility and offers no legal opinion or interpretation.

Sumner Hall believes that its report and the opinion included in the report must be considered as a whole and that selecting portions of the analysis, without considering all of the factors and analysis together, could create a misleading view of the process underlying the opinion. The preparation of a report of this nature is a complex process and is not necessarily susceptible to partial analysis or summary.

## 4 Profile of Unity Mining

### 4.1 Overview of the Company

Unity Mining was incorporated in 1980 as Bendigo Mining NL for the purpose of re-establishing mining operations at a number of former gold mining sites in the Bendigo goldfields of central Victoria.

Bendigo Mining NL was listed on the Australian Stock Exchange in December 1985. Exploration and development activities at various sites in the Bendigo goldfields took place over the next 25 years. The company expanded outside of the Bendigo goldfields in July 2009 with the acquisition of the Henty Gold Mine, on the west coast of Tasmania, from Barrick Gold Corporation. Two further transactions took place during 2010:

- i) the company entered into a Strategic Alliance Agreement with GoldStone Resources Limited ("GoldStone Resources") and acquired a substantial shareholding in that company. GoldStone Resources is listed on the AIM exchange in London and holds various gold exploration interests in west Africa including Ghana and Senegal; and
- ii) the company entered into a Scheme Implementation Agreement for a merger with BCD Resources Limited, owner of the Tasmania Gold Mine on the north coast of Tasmania.

The proposed merger with BCD Resources Limited was terminated in October 2010. The company also changed its name from Bendigo Mining NL to Unity Mining Limited in 2010 in order to reflect the expansion of its gold mining businesses outside of the Bendigo goldfields.

The company expanded into New South Wales when it merged with Cortona Resources Limited ("Cortona Resources") in January 2013. The principal asset of Cortona Resources was the Dargues Reef gold project (now known as the Dargues Gold Mine). The Dargues Reef gold project, located in southern New South Wales, included a feasibility study for an underground mining operation and additional exploration ground.

Following this corporate activity, Unity Mining now has three principal gold businesses:

- i) 100% ownership of the Dargues Gold Mine;
- ii) 100% ownership of the Henty Gold Mine (subject to dilution to a 50% interest<sup>4</sup>); and
- iii) other gold exploration ground in Tasmania and New South Wales.

The other assets of Unity Mining consist of:

- i) cash and cash equivalents;
- ii) 100% ownership of the Kangaroo Flat Gold Mine, located in the Bendigo goldfields, that was placed on a care and maintenance program in June 2011 and is the subject of a conditional purchase and sale agreement that is due for completion by 29 February 2016;
- iii) 12,013,173 shares in GoldStone Resources representing a 19.3% interest in that company;
- iv) bank term deposits that support environmental rehabilitation bonds for the Dargues Gold Mine, the Henty Gold Mine and the Kangaroo Flat Gold Mine;
- v) other sundry bank term deposits; and
- vi) carryforward tax losses.

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4 Unity Mining entered into a Farm-In Agreement with Diversified Minerals in April 2015. The Farm-In Agreement provides Diversified Minerals with the right to earn up to a 50% interest in the Henty Gold Mine in exchange for undertaking specified exploration and drilling activities.

#### 4.2 Dargues Gold Mine

The Dargues Gold Mine is located approximately halfway between Canberra and Bateman's Bay in southern New South Wales as shown below:



Unity Mining acquired the proposed Dargues Gold Mine when it merged with Cortona Resources in January 2013. Cortona Resources had acquired the project from Moly Mines Limited in July 2007 (the project was then known as the Majors Creek gold project and was subsequently referred to as the Dargues Reef gold project). Cortona Resources undertook further exploration drilling and commissioned a Scoping Study for the project in September 2009. A positive result from the Scoping Study led to a Definitive Feasibility Study being commissioned by Cortona Resources in November 2009. The Definitive Feasibility Study was based on gold production of 286,000 ounces from a 1.44 million tonne ore deposit at a grade of 6.2 grams per tonne gold that had been identified in the Scoping Study. The Definitive Feasibility Study concluded in November 2010 that there was an economically viable gold project based on production of 248,900 ounces of gold (over a six year mine life) from a 1.58 million tonne ore deposit at a grade of 5.1 grams per tonne gold.

Cortona Resources entered into an agreement with GBF Mining and Industrial Services Pty Ltd ("GBF Mining") in April 2011 to act as the underground mining contractor. The agreement with GBF Mining included a \$1 million investment by GBF Mining in Cortona Resources shares. Cortona Resources entered into an agreement with DRA Pacific Pty Ltd ("DRA Group") to design and construct the onsite processing facility that would crush and grind ore (together with gravity separation) to produce a high grade gold concentrate. Cortona Resources announced in August 2011 that agreement had been reached with Westlime Pty Ltd ("Westlime") for Cortona Resources to process gold concentrate from the mine at Westlime's gold processing plant<sup>5</sup> near Parkes in central New South Wales (approximately 400 kilometres northwest of the Dargues Gold Mine). Gold concentrate would be trucked from the Dargues Gold Mine to the processing plant in Parkes for cyanide leaching and gold recovery.

Cortona Resources announced in September 2011 that development approval had been granted by the New South Wales Planning Assessment Commission and that Federal Government approval had been granted pursuant to the Environmental Protection and Biodiversity Conservation Act. However, objections were lodged in the New South Wales Land and Environment Court. Cortona Resources announced in February 2012 that modifications to the mine plan had been made that had satisfied the objections and that approval had been granted by the New South Wales Land and Environment Court. The mining lease was granted in April 2012. The Parkes Shire Council granted approval for the modification and use of the Westlime gold processing plant in August 2012. There were no further

<sup>5</sup> Westlime acquired the decommissioned processing plant (that had formed part of the London-Victoria Gold Mine) from BHP Billiton and has used the crushing and grinding portion of the plant to produce limestone products. The gold leaching and recovery part of the plant has remained unused.



approvals or permits necessary to commence development of the Dargues Gold Mine (at that time<sup>6</sup>).

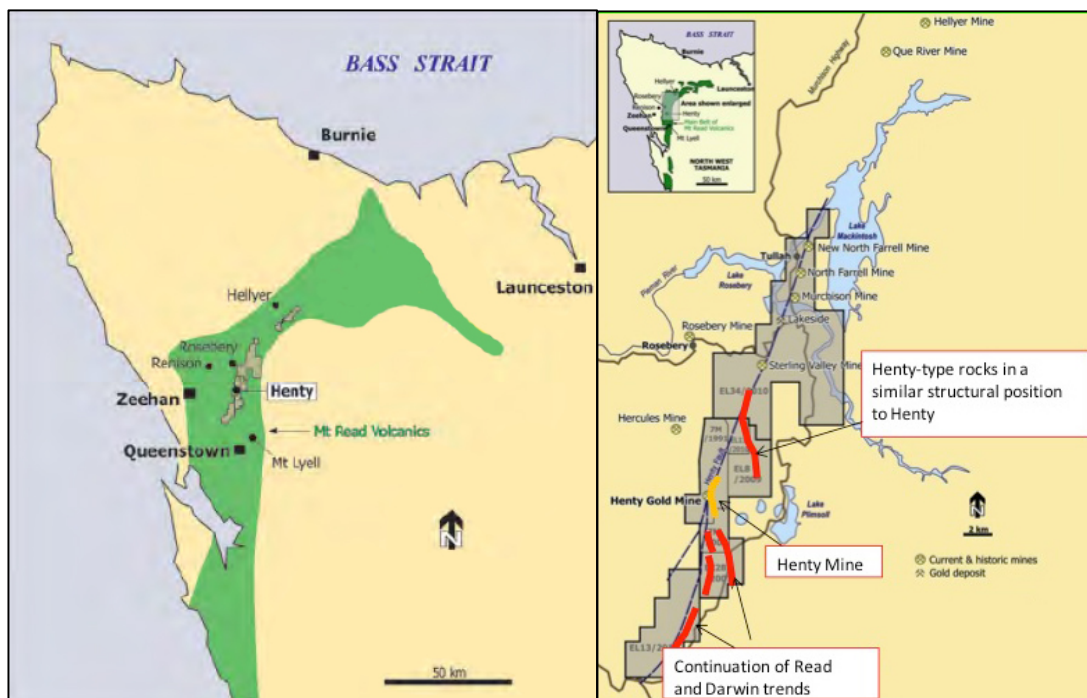
Following the merger with Cortona Resources in January 2013, Unity Mining reconsidered the possibility of cyanide treatment of gold concentrate onsite rather than trucking gold concentrate to Parkes for offsite processing. Unity Mining also disclosed to the market in January 2013 that the company was assessing the possibility of relocating the Kangaroo Flat Gold Mine processing plant to the Dargues Gold Mine (rather than constructing a new processing plant) in order to reduce capital expenditure and accelerate the timing of development.

Preliminary earthworks commenced at the Dargues Gold Mine in February 2013. These earthworks consisted of the construction of site access roads, leveling of the run-of-mine ore pad and a box cut for access to the entrance of the underground mine. Gold production was expected to commence in 2014. However, further development was halted in November 2013 pending the finalisation of plans for onsite or offsite processing of gold concentrate and additional funding. Unity Mining submitted an application to the New South Wales Department of Planning and Environment in January 2015 to modify the approvals to allow onsite cyanide treatment of gold concentrate rather than trucking gold concentrate to Parkes for offsite processing. That proposal was abandoned in September 2015 following considerable opposition from various community groups and other parties. Unity Mining reverted to the original plans for offsite processing and entered into a formal agreement with Westlme in December 2015 for access to the gold processing plant at Parkes.

Following abandonment of the plan for onsite cyanide processing, the only significant permitting issue that remains unresolved is planning approval for an extension of the mining lease beyond 2018.

#### 4.3 Henty Gold Mine

The Henty Gold Mine is located on the west coast of Tasmania, approximately 30 kilometres north of Queenstown, as shown below:



Unity Mining acquired the Henty Gold Mine in 2009. The Henty Gold Mine is an underground mining operation with surface infrastructure including a hoisting shaft, decline, mobile fleet and a conventional

<sup>6</sup> Subsequent to 2012, certain modifications to the mine plan were made that necessitated additional permitting. Those modifications included on site cyanide processing and expansion of the capacity of the tailings dam. Although those particular modifications have now been dropped and therefore do not require approval, the passage of time means that planning permission for an extension of the mining lease beyond 2018 is now required.

CIP/CIL gold processing plant<sup>7</sup>. The Henty Gold Mine had commenced production under previous ownership in 1996 and produced an average of 85,000 ounces of gold per annum (with a peak production of 143,000 ounces of gold in 2004) between 1996 and 2009. Gold production since 2009 is summarised below:

| Henty Gold Mine – Historical Gold Production |                    |               |               |               |               |               |
|--|--------------------|---------------|---------------|---------------|---------------|---------------|
|  | Year ended 30 June |               |               |               |               |               |
|  | 2010               | 2011          | 2012          | 2013          | 2014          | 2015          |
| Ore mined (tonnes)                           | 274,421            | 253,646       | 297,885       | 276,626       | 247,230       | 268,147       |
| Ore processed (tonnes)                       | 276,301            | 254,106       | 297,014       | 278,105       | 240,297       | 264,041       |
| Grade (grams <i>Au</i> per tonne)            | 5.23               | 4.70          | 5.59          | 5.27          | 5.28          | 6.34          |
| Recovery rate                                | 92.9%              | 93.0%         | 93.8%         | 93.1%         | 93.4%         | 93.8%         |
| <b>Gold produced (ounces)</b>                | <b>43,178</b>      | <b>35,728</b> | <b>50,058</b> | <b>43,851</b> | <b>38,067</b> | <b>50,450</b> |

Unity Mining announced in July 2014 that the best economic outcome for Unity Mining shareholders would be to focus on maximising cash generation from the Henty Gold Mine through the recovery of higher confidence and higher margin reserves (rather than maximising the overall level of recovery of reserves and gold production at a lower net cash realisation). Although Unity Mining had continued its gold exploration activities at the Henty Gold Mine, the company acknowledged that those activities had not been successful in adding significant additional gold ounces to the mine life. Accordingly, the company embarked on a plan to recover the remaining higher confidence and higher margin reserves and then to place the Henty Gold Mine on a care and maintenance program in late 2015.

This approach resulted in a substantial increase in gold production in 2015 compared to 2014 (and a substantial increase in the profitability of that gold production). The remaining reserves were depleted in November 2015 (resulting in an additional 12,512 ounces of gold production) and the Henty Gold Mine has now been placed on the care and maintenance program.

Unity Mining's announcement in July 2014 also stated that the company's goal was to restart the mining operations in the event that additional, sustainable reserves could be delineated. Consistent with that objective, Unity Mining announced in April 2015 that the company had entered into a Farm-In Agreement with Diversified Minerals. The company stated that the Farm-In Agreement would allow a fast tracking of exploration activities at the Henty Gold Mine through a three stage exploration program. The Farm-In Agreement provided that:

- i) Diversified Minerals would fund a comprehensive drilling program focused on resource delineation with a view to recommencing sustainable production;
- ii) Diversified Minerals would progressively earn up to a 50% interest in a joint venture that would be formed to own the Henty Gold Mine;
- iii) \$1 million of exploration drilling (Stage 1) was to be completed by 30 September 2015;
- iv) an additional \$1.5 million of exploration drilling (Stage 2) was to be completed by 31 December 2015 (subsequently extended) at which time Diversified Minerals would be entitled to a 30% interest in a joint venture to be created at that time to hold the ownership interests in the Henty Gold Mine; and
- v) an additional \$2.5 million of exploration drilling (Stage 3) was to be completed by 30 September 2016 at which time Diversified Minerals would be entitled to an additional 20% joint venture interest in the Henty Gold Mine (taking Diversified Minerals' total interest to 50%).

<sup>7</sup> Carbon-in-pulp ("CIP") is a process involving the sequential leaching and absorption of gold from ore. A pulp is created by crushing or milling the ore. The pulp is then flowed through agitated tanks to which sodium cyanide and oxygen have been added to dissolve the gold into a solution. The solution is then flowed through agitated tanks containing activated carbon for absorption. Gold is absorbed onto the activated carbon (which flows countercurrent to the pulp) while screens separate the barren pulp from the gold loaded carbon. By contrast, carbon-in-leach ("CIL") is a process involving the simultaneous leaching and absorption of gold from ore. The simultaneous process was developed for processing ores that contain materials such as natural absorptive carbon that would reduce the gold yield using CIP by attracting gold that would otherwise be absorbed onto the activated carbon.



The Farm-In Agreement also provided Diversified Minerals with a pre-emptive right to acquire the remaining 50% interest in the Henty Gold Mine in the event that a third party made a binding offer to Unity Mining to purchase that other 50% interest. Diversified Minerals' pre-emptive right was to become effective upon the establishment of the joint venture to hold the ownership interests in the Henty Gold Mine and would entitle Diversified Minerals to match and pre-empt any third party offer. Diversified Minerals' pre-emptive right would not, however, be triggered by a change in control of Unity Mining.

Diversified Minerals advised Unity Mining on 17 September 2015 that the first \$1 million of exploration drilling had been completed and that Diversified Minerals was proceeding immediately to Stage 2 of the exploration program. Diversified Minerals advised Unity Mining on 18 January 2016 that the additional \$1.5 million of exploration drilling for Stage 2 had been completed and that Diversified Minerals was seeking to take up its entitlement to a 30% joint venture interest in the Henty Gold Mine (and to proceed to Stage 3 of the exploration program). Unity Mining expects the joint venture agreement and related documentation involving the transfer of mining tenements and other matters to be completed in February 2016.

#### **4.4 Other Gold Exploration Assets**

Unity Mining holds other exploration ground in Tasmania and New South Wales as summarised below:

- i) a tenement package covering approximately 400 square kilometres of ground in northwest Tasmania in the general vicinity of the Henty Gold Mine;
- ii) a tenement package covering approximately 700 square kilometres of ground in the vicinity of the Dargues Gold Mine; and
- iii) a relatively small set of tenements in New South Wales in the vicinity of Gundagai, west of Canberra.

#### 4.5 Historical Operating Results for Unity Mining

The historical operating results of Unity Mining for the three years ended 30 June 2015, together with the preliminary auditor reviewed operating results for the half year ended 31 December 2015, are summarised below:

| Unity Mining – Historical Operating Performance (\$000s)        |                    |                 |                |                 |
|---|--------------------|-----------------|----------------|-----------------|
|   | Year ended 30 June |                 |                | Half year ended |
|   | 2013               | 2014            | 2015           | 31 December     |
|   | (audited)          | (audited)       | (audited)      | 2015            |
|   |                    |                 |                | (reviewed)      |
| <b>Henty Gold Mine:</b>   |                    |                 |                |                 |
| Gold production (ounces)  | 43,851oz           | 38,067oz        | 50,450oz       | 12,512oz        |
| Gold and silver sales revenue                                   | 64,730             | 54,858          | 77,579         | 20,886          |
| Mine operating costs  | (46,632)           | (41,497)        | (51,710)       | (14,348)        |
| <b>Henty Gold Mine EBITDA</b>                                   | <b>18,098</b>      | <b>13,361</b>   | <b>25,869</b>  | <b>6,538</b>    |
| Depreciation and amortisation                                   | (14,050)           | (17,488)        | (5,098)        | (510)           |
| Employee redundancy provisions                                  | -                  | -               | (5,139)        | 251             |
| Impairment charges  | (7,400)            | (7,195)         | -              | -               |
| <b>Henty Gold Mine accounting profit (loss)</b>                 | <b>(3,352)</b>     | <b>(11,322)</b> | <b>15,632</b>  | <b>6,279</b>    |
| Dargues Gold Mine costs (not capitalised)                       | (29)               | (965)           | (1,029)        | (1,733)         |
| Dargues Gold Mine impairment charges                            | (7,100)            | (18,930)        | (2,465)        | (10,893)        |
| Exploration expenses (not capitalised)                          | (4,493)            | (1,474)         | (730)          | (808)           |
| Exploration asset impairment charges                            | -                  | (12,085)        | (1,069)        | -               |
| Corporate office costs <sup>8</sup>                             | (7,167)            | (4,849)         | (5,217)        | (2,546)         |
| <b>Profit (loss) from continuing businesses</b>                 | <b>(22,141)</b>    | <b>(49,625)</b> | <b>5,122</b>   | <b>(9,701)</b>  |
| Kangaroo Flat Gold Mine care and maintenance costs <sup>9</sup> | 192                | (671)           | (250)          | (155)           |
| Impairment of Kangaroo Flat Gold Mine assets                    | -                  | -               | (5,220)        | -               |
| Losses associated with GoldStone Resources <sup>10</sup>        | (5,870)            | (526)           | (903)          | (234)           |
| Litigation settlement expense                                   | -                  | (1,782)         | -              | -               |
| Other income (expense)  | 92                 | (66)            | 133            | 50              |
| <b>Total profit (loss) before interest and tax</b>              | <b>(27,727)</b>    | <b>(52,670)</b> | <b>(1,118)</b> | <b>(10,040)</b> |
| Net interest income   | 1,330              | 573             | 631            | 358             |
| <b>Net profit (loss) before tax</b>                             | <b>(26,397)</b>    | <b>(52,097)</b> | <b>(487)</b>   | <b>(9,682)</b>  |
| Income tax expense  | -                  | -               | -              | -               |
| <b>Net profit (loss) after tax</b>                              | <b>(26,397)</b>    | <b>(52,097)</b> | <b>(487)</b>   | <b>(9,682)</b>  |

The Henty Gold Mine has been Unity Mining's principal operating business since 2011 when the Kangaroo Flat Gold Mine was placed on care and maintenance status. Gold production peaked at 50,058 ounces in 2012 before declining to 38,067 ounces in 2014 (production increased again during 2015 as the company pursued a strategy of extracting the remaining high grade ore prior to placing the Henty Gold Mine on care and maintenance status). The Henty Gold Mine was placed on care and maintenance status in November 2015 after producing a further 12,000 ounces of gold in the current year.

The Henty Gold Mine has generated significant cash flow each year even though depreciation charges and asset impairment charges resulted in accounting losses for 2013 and 2014. Cash flow was particularly high for 2015 as a result of the focus on the extraction of the highest margin reserves rather than maximising the overall recovery of gold over a longer period. This also resulted in a significant accounting profit when combined with lower depreciation charges as a result of the asset writedowns that had taken place in prior years (offset to some extent by redundancy costs associated with placing

8 This figure includes depreciation and amortisation.

9 This figure is net of gold sales and other revenue associated with the Kangaroo Flat Gold Mine plant and other assets.

10 These figures include impairment charges.

the mine on care and maintenance status).

In addition to the accounting losses for the Henty Gold Mine in 2013 and 2014, the company also incurred significant losses from the impairment in value of the Dargues Gold Mine and the company's exploration asset portfolio as well as ongoing costs associated with those assets and the corporate office. A significant writedown in the value of the company's investment in GoldStone Resources was also made in 2014 (and a smaller writedown in that value in 2015) and a cost of approximately \$1.8 million was incurred in 2015 in settling litigation with GBF Mining regarding the termination of arrangements for contract mining at the Dargues Gold Mine.

The accounting loss for the year ended 30 June 2015 was relatively small. Although the Henty Gold Mine produced a significant profit, this was offset by additional impairment in value of the Dargues Gold Mine, a writeoff of the remaining value of the Kangaroo Flat Gold Mine and ongoing costs associated with the development of the Dargues Gold Mine, the company's exploration asset portfolio and the corporate office. This same pattern continued for the half year ended 31 December 2015 with the Henty Gold Mine generating a profit prior to being placed on care and maintenance status but this was more than offset by a further impairment in value of the Dargues Gold Mine.

#### 4.6 Unity Mining's Financial Position

The audited balance sheets of Unity Mining as at 30 June 2013, 30 June 2014 and 30 June 2015, together with an auditor reviewed balance sheet as at 31 December 2015, are summarised below:

| Unity Mining – Balance Sheets (\$000s)             |                |               |               |               |
|--|----------------|---------------|---------------|---------------|
|  | 30 June        |               |               | 31 December   |
|  | 2013           | 2014          | 2015          | 2015          |
|  | (audited)      | (audited)     | (audited)     | (reviewed)    |
| Cash and interest receivable                       | 27,947         | 6,829         | 28,543        | 18,093        |
| Gold in transit                                    | 2,864          | 3,659         | 1,891         | -             |
| Inventories, debtors, prepayments and other assets | 5,960          | 6,165         | 4,602         | 868           |
| Henty Gold Mine property, plant and equipment      | 23,858         | 6,690         | 1,638         | 1,733         |
| Dargues Gold Mine property, plant and equipment    | 29,023         | 22,749        | 21,625        | 10,514        |
| Kangaroo Flat Gold Mine assets                     | 5,420          | 5,465         | 208           | -             |
| Mining exploration and evaluation assets           | 7,573          | 1,231         | -             | -             |
| Rehabilitation bond – Henty Gold Mine              | 2,585          | 2,585         | 2,585         | 2,585         |
| Rehabilitation bond – Dargues Gold Mine            | 3,220          | 3,220         | 1,274         | 1,274         |
| Rehabilitation bond – Kangaroo Flat Gold Mine      | 5,546          | 5,653         | 5,658         | 5,698         |
| Investment in GoldStone Resources                  | 1,798          | 1,473         | 648           | 336           |
| Bank term deposits – other                         | 114            | 46            | 107           | 107           |
| <b>Total assets</b>                                | <b>115,908</b> | <b>65,765</b> | <b>68,779</b> | <b>41,208</b> |
| Creditors and accrued expenses                     | 19,417         | 12,957        | 9,526         | 4,126         |
| Finance lease liabilities                          | 1,141          | 386           | 77            | 42            |
| Henty Gold Mine redundancy provisions              | -              | -             | 5,139         | -             |
| Henty Gold Mine rehabilitation liability           | 2,259          | 2,599         | 2,622         | 2,629         |
| Dargues Gold Mine rehabilitation liability         | 480            | 712           | 686           | 696           |
| Kangaroo Flat Gold Mine rehabilitation liability   | 6,009          | 5,710         | 5,710         | 5,710         |
| Litigation settlement liability                    | -              | -             | 1,782         | -             |
| Total liabilities                                  | 29,306         | 22,364        | 25,542        | 13,203        |
| <b>Net assets</b>                                  | <b>86,602</b>  | <b>43,401</b> | <b>43,237</b> | <b>28,005</b> |
| Shares on issue <sup>11</sup> (000s)               | 708,013        | 1,147,735     | 1,149,894     | 1,144,708     |
| <b>Net assets per share</b>                        | <b>12.2¢</b>   | <b>3.8¢</b>   | <b>3.8¢</b>   | <b>2.5¢</b>   |

11 This figure includes unvested performance rights of 6.016 million as at 30 June 2013, 14.612 million as at 30 June 2014, 9.581 million as at 30 June 2015 and 1.624 million as at 31 December 2015.

Following writedowns in the value of Unity Mining's various gold interests over the past few years, the balance sheet at 31 December 2015 consists primarily of cash, the book value of the remaining assets from the Henty Gold Mine, the estimated realisable value of the Dargues Gold Mine and environmental bonds and corresponding liabilities associated with the Henty Gold Mine, the Kangaroo Flat Gold Mine and the Dargues Gold Mine.

The company's cash balance declined from \$27.9 million as at 30 June 2013 to \$6.8 million as at 30 June 2014. This increase includes approximately \$6 million in cash that was received from a capital raising that took place in March 2014. The net decline in the cash balance is largely attributable to the use of funds for the development of the Dargues Gold Mine and for other gold exploration activities. Development of the Dargues Gold Mine was suspended in November 2013.

The company's cash balance increased from \$6.8 million as at 30 June 2014 to \$28.5 million as at 30 June 2015 as a result of the significant cash flow generation from the Henty Gold Mine during the phase of maximising the extraction of value from the mine prior to placing it on a care and maintenance program. Some of those funds have subsequently been used to make redundancy payments associated with the Henty Gold Mine as well as funding ongoing exploration activities and corporate costs. Subject to any decision to further develop and fund the construction of the Dargues Gold Mine (or to further develop one of the company's other gold interests), the cash balance of \$18.1 million as at 31 December 2015 is largely surplus to the company's ongoing requirements.

Net assets per share has declined from 12.2¢ per share in 2013 to 2.5¢ per share as at 31 December 2015. This corresponds with the writedowns and other losses associated with the company's various gold interests during that period. The number of shares on issue had increased by approximately 440 million shares during this same period as a result of two events<sup>12</sup>:

- i) 239,602,537 shares were issued as a result of a capital raising that was made in the form of a Share Purchase Plan at a 17.5% discount to market price (*i.e.*, at an issue price of 2.7¢ per share) in March 2014 that raised \$6.5 million before transaction costs; and
- ii) 191,522,365 shares were issued at no cost to Moly Mines Limited in settlement of royalty obligations associated with the Dargues Gold Mine.

Unity Mining disclosed a future income tax benefit of \$101.2 million as at 30 June 2015. However, this deferred tax asset was not recognised in the balance sheet due to the uncertainty of timing in relation to when taxable profits might be generated.

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12 A small number of new shares were also issued as a result of the vesting of performance rights.

#### 4.7 Capital Structure and Shareholders of Unity Mining

Unity Mining had the following securities on issue as at 21 January 2016:

- i) 1,143,084,568 fully paid ordinary shares that are listed and trading on the ASX;
- ii) 1,623,844 conditional performance rights to receive fully paid ordinary shares; and
- iii) options to acquire 43,227,196 fully paid ordinary shares.

The major shareholders in Unity Mining as at 21 January 2016 are set out below:

| Unity Mining – Major Shareholders                                    |                             |                     |
|--|-----------------------------|---------------------|
|  | Number of Fully Paid Shares | Percentage of Total |
| Diversified Minerals   | 156,110,278                 | 13.7%               |
| J P Morgan Nominees Australia Limited                                | 35,363,767                  | 3.1%                |
| Citicorp Nominees Pty Limited  | 32,877,238                  | 2.9%                |
| HSBC Custody Nominees (Australia) Limited                            | 31,761,860                  | 2.8%                |
| Mr F Terranova and associates  | 23,975,000                  | 2.1%                |
| AU Mining Limited  | 22,000,000                  | 1.9%                |
| Avanteos Investments Limited   | 17,401,658                  | 1.5%                |
| PW and VJ Cooper Pty limited   | 17,366,099                  | 1.5%                |
| ABN Amro Clearing Sydney Nominees Pty Limited                        | 14,212,875                  | 1.2%                |
| Nambia Pty Ltd   | 12,574,461                  | 1.1%                |
| Nefco Nominees Pty Ltd   | 10,846,154                  | 0.9%                |
| Mr T Williamson  | 10,000,000                  | 0.9%                |
| UBS Nominees Pty Limited   | 9,846,154                   | 0.9%                |
| Blinkys Photos Pty Ltd   | 9,068,307                   | 0.8%                |
| Mrs C Terranova  | 9,025,000                   | 0.8%                |
| Transition Metals Pty Ltd  | 8,263,737                   | 0.7%                |
| P Kampfner Pty Ltd   | 7,637,163                   | 0.7%                |
| Mr D Hannon  | 7,230,769                   | 0.6%                |
| Ossart Holdings Pty Ltd  | 7,000,000                   | 0.6%                |
| Mr S Rajki   | 7,000,000                   | 0.6%                |
| <b>Subtotal – major shareholders</b>                                 | <b>449,560,520</b>          | <b>39.3%</b>        |
| Other shareholders with less than 0.6% (approximately 4,000 holders) | 693,524,048                 | 60.7%               |
| <b>Grand total</b>   | <b>1,143,084,568</b>        | <b>100.0%</b>       |

No single shareholder or group of shareholders has a controlling interest in Unity Mining.

Diversified Minerals is the largest shareholder in Unity Mining with a 13.7% interest. This interest was acquired over the period May to September 2015 at prices in the range 1.1-2.5¢ per share (adjusted for the 0.5¢ capital return that took place in early September 2015).

There are no other substantial shareholders. The share register is widely held with the top ten shareholders accounting for a total interest of approximately 31% and over 4,000 relatively small shareholders making up the remainder. The shareholders other than Diversified Minerals (and several of the directors of Unity Mining) are either relatively small institutional investors or individual investors.

Unity Mining established a Long Term Incentive Plan in 2011 pursuant to which the Directors of Unity Mining, at their discretion, may grant conditional performance rights to senior executives that entitle those individuals to receive fully paid ordinary shares by way of issue for nil cost. There are 1,623,844 conditional performance rights on issue at the date of this report that are held by one senior executive of

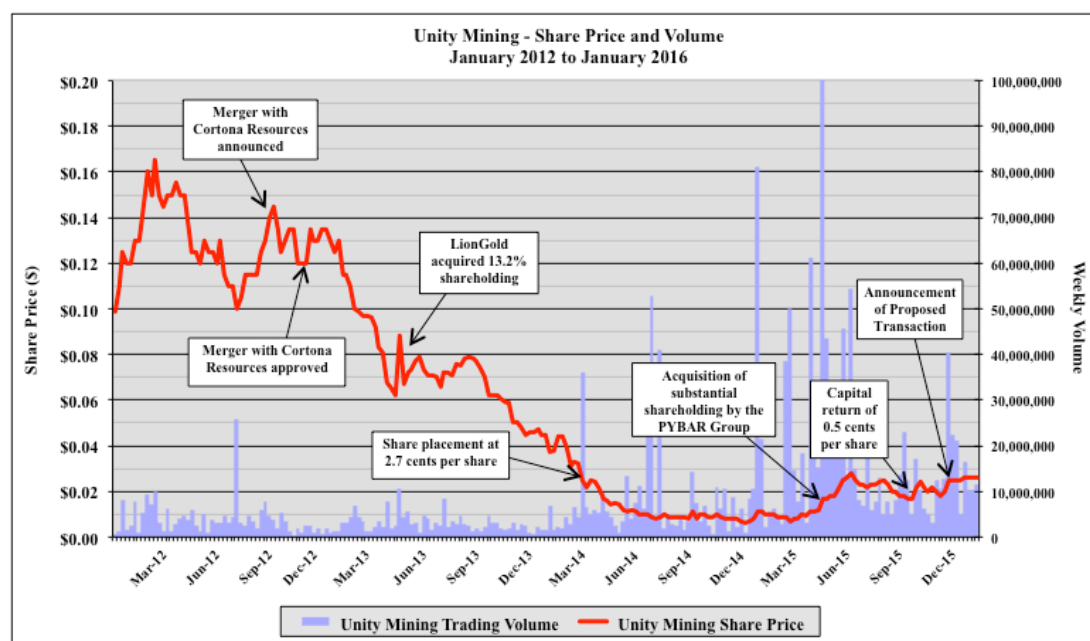
Unity Mining. Vesting of the conditional performance rights is contingent on Unity Mining achieving certain specified performance hurdles over a three year period.

The Scheme Implementation Agreement stipulates that any outstanding conditional performance rights that have not vested by the completion date for the Scheme will automatically vest. Accordingly, all of the conditional performance rights have been treated as being equivalent to fully paid ordinary shares for the purpose of this report.

Outstanding options to acquire 43,227,196 fully paid ordinary shares are held by five current and one former employee of Unity Mining. The options are exercisable up to 17 September 2019 at 2.57¢ each, subject to certain vesting conditions. The Scheme Implementation Agreement stipulates that all outstanding options must be cancelled by the completion date for the Scheme. The terms and conditions relating to the outstanding options have been taken into consideration in the valuation section of this report.

#### 4.8 Sharemarket Performance of Unity Mining Shares

The Unity Mining share price and volume of trading since January 2012 are set out graphically below:

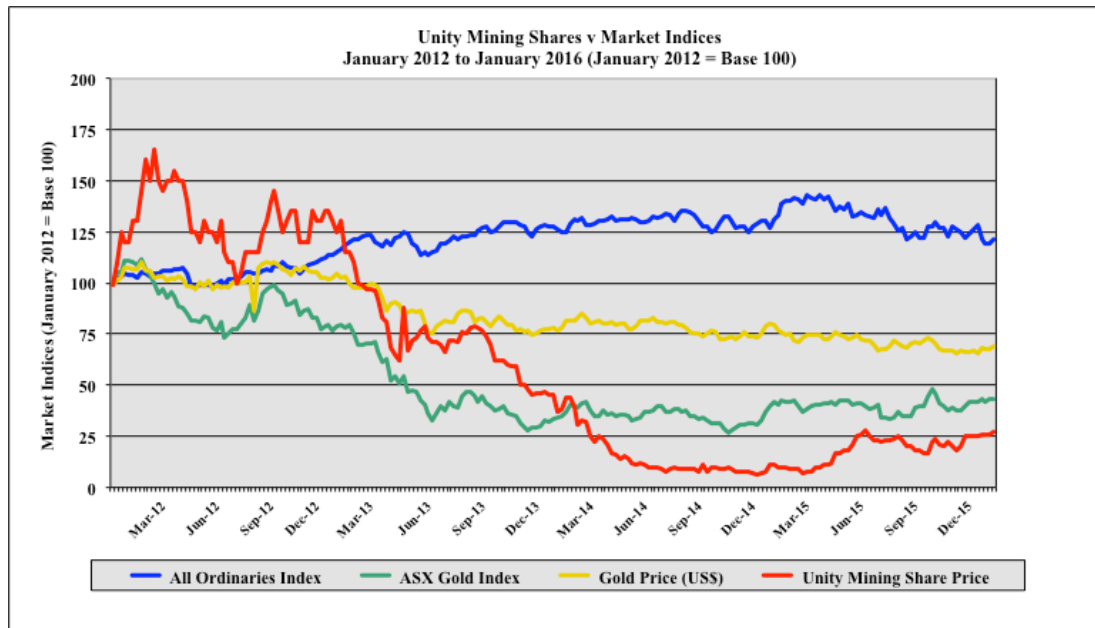


The Unity Mining share price had traded in a broad range from 10-15¢ in the period leading up to the announcement of the merger with Cortona Resources in September 2012. This trading range was broadly in line with the reported net asset backing at that time. The share price fell sharply during the six months following completion of the merger with Cortona Resources and reached a low point of 6¢ in May 2013 before stabilising at that level for the next several months (coinciding with the acquisition of a substantial shareholding by LionGold Corp Ltd).

The Unity Mining share price began to fall again in late 2013 at a time when development of the Dargues Gold Mine was suspended. The share price reached another low point of 3¢ by March 2014 when the company announced a capital raising at 2.7¢ per share to raise \$6.5 million. The company also announced that significant impairment losses had been recorded against the value of both the Henty Gold Mine and the Dargues Gold Mine.

The Unity Mining share price traded in a range of 1-2¢ for the remainder of 2014 and early 2015. The share price began to increase in May 2015 (coinciding with the acquisition of a substantial shareholding by Diversified Minerals) and reached a high point of 3¢ in June 2015 (prior to the completion of a capital return of 0.5¢ per share). The share price then traded in a range of 1.7-2.0¢ per share from the time of the capital return until the time of the announcement of the Proposed Transaction.

Movement in the Unity Mining share price compares to market indices as shown below:



The Unity Mining share price traded at a premium to market indices during the period leading up to the announcement and completion of the merger with Cortona Resources in January 2013. The All Ordinaries Index had been relatively flat during that period and the ASX Gold Index had declined.

Completion of the Cortona Resources merger coincided with a steady decline in the US\$ gold price and a relatively sharp decline in the ASX Gold Index. The Unity Mining share price declined even more sharply until May 2013 when LionGold Corp Ltd acquired a substantial shareholding and the share price stabilised. The decline in the US\$ gold price and the ASX Gold Index also stabilised during that period and have remained relatively flat thereafter. The Unity Mining share price, however, resumed its fall in late 2013 at a time when development of the Dargues Gold Mine was suspended and the company announced that the Henty Gold Mine would be placed on care and maintenance after a period of extraction of the remaining high margin reserves.

The Unity Mining share price reached its low point in late 2014 and remained at those levels until May 2015 when Diversified Minerals began to acquire a substantial shareholding.

## 5 Valuation of Unity Mining

### 5.1 Valuation Summary

Sumner Hall has valued Unity Mining in the range 2.3-3.6¢ per share as summarised below:

| Unity Mining – Valuation Summary (\$ millions)            |                               |               |
|---|-------------------------------|---------------|
|   | Valuation Range (\$ millions) |               |
|   | Low                           | High          |
| Dargues Gold Mine   | 8.0                           | 20.0          |
| Henty Gold Mine   | 4.0                           | 6.0           |
| Gold exploration assets                                   | 0.4                           | 2.2           |
| Corporate office costs                                    | (3.5)                         | (9.5)         |
| <b>Combined value of continuing gold businesses</b>       | <b>8.9</b>                    | <b>18.7</b>   |
| Cash and cash equivalents                                 | 18.1                          | 18.1          |
| Discontinued interest in Kangaroo Flat Gold Mine          | -                             | 4.7           |
| Investment in GoldStone Resources                         | 0.4                           | 0.4           |
| Bank term deposits (not required for environmental bonds) | 0.9                           | 0.9           |
| Carryforward tax losses                                   | -                             | <sup>13</sup> |
| Non-recurring liabilities relating to Henty Gold Mine     | (1.6)                         | (1.6)         |
| Cancellation of options                                   | (0.4)                         | (0.4)         |
| Finance lease liabilities                                 | (0.1)                         | (0.1)         |
| Subtotal of other assets and liabilities                  | 17.3                          | 22.0          |
| <b>Net value of Unity Mining</b>                          | <b>26.2</b>                   | <b>40.7</b>   |
| Shares on issue <sup>14</sup> (millions)                  | 1,144.708                     | 1,144.708     |
| <b>Net value per share</b>                                | <b>2.3¢</b>                   | <b>3.6¢</b>   |

Unity Mining has been valued by aggregating the estimated fair market value for each of Unity Mining's three main gold businesses (and the corporate costs necessary to sustain them) together with the estimated net realisable value for the other assets and liabilities of the company.

This value is appropriate for the acquisition of Unity Mining as a whole and, accordingly, incorporates a premium for control. A value determined on this basis would usually exceed the price at which shares will trade on a stock exchange in the absence of a takeover offer or other proposal involving a change in control and assuming that the market is fully informed. Sharemarket trading typically represents transactions in small parcels of shares ("portfolio interests"). Portfolio interests are normally priced at a discount to underlying value to reflect, inter alia, the lack of corporate control and the lack of direct access to cash flows and taxable income.

### 5.2 Valuation Methodology

There are four primary methodologies commonly used for valuing businesses and assets:

- i) discounting of projected cash flows;
- ii) capitalisation of earnings;
- iii) industry rules of thumb; and
- iv) estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary factors to be considered in determining which methodology is appropriate are the nature and level of information available and the usual practice adopted by purchasers and valuers of the type of businesses and assets involved.

13 The high end of the valuation range for the Dargues Gold Mine effectively incorporates a value for carryforward tax losses because it takes into account, in some scenarios, the possibility that income tax will be less than 30% due to the availability of carryforward tax losses. However, it should be noted that the carryforward tax losses are unlikely to be able to be utilised by a purchaser of Unity Mining or the Dargues Gold Mine and may be of limited use even if the ownership of Unity Mining does not change.

14 This figure includes shares that would be issued from the vesting of performance rights.



None of Unity Mining's three main gold businesses are currently in production:

- i) development of the Dargues Gold Mine was suspended in November 2013 and the company is pursuing final planning approvals that could lead to restarting development of the mine (based on a completed feasibility study), subject to funding, or sale of the project to a third party as a pre-development asset;
- ii) the Henty Gold Mine ceased production in November 2015 and has been placed on a care and maintenance program (with ongoing exploration activity aimed at identifying additional reserves sufficient to restart production at some point in time); and
- iii) the other gold assets are at the exploration stage.

Accordingly, the usual methods for estimating the value of businesses and assets are not entirely appropriate. Both the discounted cash flow valuation methodology and the capitalised earnings methodology are dependent on the availability of reliable earnings and cash flow forecasts (and, usually, a historical record of earnings and cash flows to provide a context for those forecasts). None of Unity Mining's main gold businesses possess those characteristics.

As a result, Sumner Hall's primary approach to estimating the value of each of Unity Mining's main gold businesses has been:

- i) the Dargues Gold Mine has been valued in a range that represents the estimated realisable value from sale as a pre-development asset on the basis of comparable sales of other gold assets, on the one hand, and on the basis of the net present value of projected cash flows from the completed feasibility study and life-of-mine plan, on the other;
- ii) the Henty Gold Mine has been valued on the basis of the estimated realisable value calculated by comparison with sales of other gold resources, AMC's technical assessment of exploration asset values and actual and proposed transactions involving interests in the Henty Gold Mine; and
- iii) the other gold exploration assets have been valued on the basis of AMC's technical assessment of exploration asset values.

The value of Unity Mining's three main gold businesses has been offset by an estimate of the net present value of the corporate office costs that will be necessary to conduct the operation of the three main gold businesses over a time period that corresponds to the valuation approach underlying each of those assets.

The other assets and liabilities of Unity Mining have been valued on the basis of the estimated net realisable value for each item.

### **5.3 Valuation of the Dargues Gold Mine**

Sumner Hall has valued the Dargues Gold Mine in the range \$8-20 million.

The valuation range is fairly wide. This reflects the dichotomy of the Dargues Gold Mine. Unlike an operating mine or, in some cases, a development project with fewer uncertainties than those surrounding the Dargues Gold Mine regarding the likelihood of funding, construction and operation in line with the feasibility study and life-of-mine plan, the valuation range for the Dargues Gold Mine does not simply represent a range of estimates for key variables such as gold prices, capital costs, production rates or discount rates. The valuation range for the Dargues Gold Mine reflects two distinct approaches to value:

- i) on the one hand, the possibility that Unity Mining would not be able to obtain funding for the project or that other circumstances might cause Unity Mining to abandon plans to proceed with the project and that the Dargues Gold Mine would be sold to a third party as an undeveloped asset; and
- ii) on the other hand, the possibility that Unity Mining would be able to fund, construct and operate the Dargues Gold Mine in line with the completed feasibility study and life-of-mine plan

(allowing for appropriate development uncertainty in the discount rate adopted in the discounted cash flow model but no further probability or risk weighting).

The AMC report includes a detailed analysis of the geology, resource, production profile, capital costs, mining and processing operations and operating costs for the Dargues Gold Mine. The AMC report also includes an estimate of the value of the Dargues Gold Mine based on a geological assessment of contained gold in the ore resource and reserves. A copy of AMC's report is included as Annexure A to this report.

The low end of Sumner Hall's valuation range is \$8 million. The low end of Sumner Hall's valuation range represents the estimated value of the Dargues Gold Mine in circumstances where development of the project in line with the current feasibility study and life-of-mine plan (as adjusted by AMC) is not possible or does not proceed. In this case, the fair market value of the Dargues Gold Mine should reflect prices that are paid in transactions between willing buyers and willing sellers of comparable ore resources and reserves.

Sumner Hall has compared the prices paid for acquisitions of selected pre-development gold assets in recent years when expressed as a multiple of resources and reserves as summarised below:

| Market Evidence Regarding Selected Comparable Gold Transactions |                         |                                |                         |            |                             |             |
|---|-------------------------|--------------------------------|-------------------------|------------|-----------------------------|-------------|
| Date  | Company/Asset Acquired  | Enterprise Value (\$ millions) | Published Gold Resource |            |                             |             |
|   |                         |                                | Deposit (000 ounces)    |            | Transaction Value Per Ounce |             |
|   |                         |                                | Resource                | Reserves   | Resource                    | Reserves    |
| August 2015   | Phoenix Gold (PXG)      | 86                             | 4,021                   | 1,159      | \$21                        | \$74        |
| August 2015   | Castle Hill heap leach  | 11                             | 1,109                   | 280        | \$10                        | \$40        |
| July 2015   | Mt Henry Gold Project   | 25                             | 1,656                   | 923        | \$15                        | \$27        |
| July 2015   | Grosvenor Gold Project  | 20                             | 1,408                   | 420        | \$14                        | \$48        |
| February 2015   | Central Tanami Project  | 80                             | 2,672                   | 269        | \$30                        | \$297       |
| October 2014  | Mutiny Gold (MYG)       | 41                             | 592                     | 325        | \$69                        | \$126       |
| April 2014  | Bullabulling Gold (BAB) | 28                             | 3,753                   | na         | \$7                         | na          |
| February 2014   | Bundarra Gold Project   | 3                              | 489                     | 120        | \$7                         | \$27        |
| January 2014  | Thunderbox Gold Project | 22                             | 2,090                   | 728        | \$11                        | \$31        |
| April 2013  | Polymetals Mining (PLY) | 8                              | 361                     | 76         | \$23                        | \$111       |
| January 2013  | Cortona Resources (CRC) | 25                             | 327                     | 260        | \$75                        | \$95        |
| March 2012  | Kundip/Trilogy reserves | 19                             | 1,079                   | 548        | \$17                        | \$34        |
| <b>Average</b>  |                         | <b>31</b>                      | <b>1,630</b>            | <b>464</b> | <b>\$25</b>                 | <b>\$83</b> |
| <b>Median</b>   |                         | <b>24</b>                      | <b>1,259</b>            | <b>325</b> | <b>\$16</b>                 | <b>\$48</b> |

The detailed information underlying this analysis is included as Annexure B to this report.

The variation in these transaction value parameters is fairly large (*i.e.*, the range of transaction values is more than tenfold from \$7-75 per ounce of resource and \$27-297 per ounce of reserves) and should be viewed with caution. Further, some of these transactions reflect value for a relatively large resource compared to the defined reserves whereas the Dargues Gold Mine has very little resource outside of the defined reserve. Accordingly, the value for the Dargues Gold Mine is likely to tend towards the middle of the comparable values per ounce of resource but to the lower end of the comparable values per ounce of reserves.

Sumner Hall has also excluded the following transactions when determining the appropriate value parameters to apply to the Dargues Gold Mine:

- i) the Cortona Resources merger with Unity Mining has been excluded because the characteristics of the Dargues Gold Mine have changed significantly since the time of that transaction including the permitting and development approvals and the assumptions underlying the life-of-mine plan in terms of production, capital and operating costs;

- ii) the Bullabulling Gold Project has been excluded because it comprised a very large resource with no defined reserves; and
- iii) the Central Tanami Project has been excluded because of the disproportionate size of the resource to the defined reserves.

The remaining transactions imply the following transaction values:

| Market Evidence Regarding Selected Comparable Gold Transactions |                                   |                         |          |                                |          |
|---|-----------------------------------|-------------------------|----------|--------------------------------|----------|
|   | Enterprise Value<br>(\$ millions) | Published Gold Resource |          |                                |          |
|   |                                   | Deposit<br>(000 ounces) |          | Transaction Value<br>Per Ounce |          |
|   |                                   | Resource                | Reserves | Resource                       | Reserves |
| Average   | 26                                | 1,423                   | 509      | \$21                           | \$58     |
| Median  | 20                                | 1,109                   | 420      | \$15                           | \$40     |

Based on this information, a value of \$20 per ounce of resource or \$40 per ounce of reserves is appropriate for the Dargues Gold Mine. This represents a value in the range \$6.5-10.4 million. By contrast, the AMC valuation range is \$3.8-7.0 million. Based on this information, Sumner Hall has adopted a value of \$8 million as the low end of the valuation range for the Dargues Gold Mine.

The high end of Sumner Hall's valuation range is \$20 million. This reflects the value of the Dargues Gold Mine in circumstances where the project can be developed in accordance with the completed feasibility study and life-of-mine plan (as adjusted by AMC).

Sumner Hall has developed a discounted cash flow model for a valuation of the Dargues Gold Mine. The discounted cash flow model is based on Unity Mining management's most recent life-of-mine plan together with adjustments to that life-of-mine plan that AMC regards as appropriate. The adjusted life-of-mine model is summarised below<sup>15</sup>:

| Adjusted Life-of-Mine Model for the Dargues Gold Mine      |   |                 |                 |               |               |               |               |                     |
|--|---|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------------|
|  | Period From Commencement of Mine Construction |                 |                 |               |               |               |               | Residual            |
|  | Year 1  | Year 2          | Year 3          | Year 4        | Year 5        | Year 6        | Year 7        |                     |
| <b>Mine operating statistics:</b>                          |   |                 |                 |               |               |               |               |                     |
| Ore mined (tonnes)   | 74,983  | 300,275         | 320,169         | 275,242       | 226,791       | 238,194       | 230,553       |                     |
| Ore processed (tonnes)                                     | 61,705  | 313,552         | 320,169         | 275,242       | 226,791       | 238,194       | 230,553       |                     |
| Average grade (grams <i>Au</i> per tonne)                  | 3.99  | 4.34            | 4.03            | 4.06          | 4.68          | 6.06          | 6.14          |                     |
| Recovery rate  | 95.6%   | 95.6%           | 95.6%           | 95.6%         | 95.6%         | 95.6%         | 95.6%         |                     |
| <b>Gold produced (ounces)</b>                              | <b>7,568</b>                                  | <b>41,816</b>   | <b>39,671</b>   | <b>34,371</b> | <b>32,622</b> | <b>44,377</b> | <b>43,508</b> |                     |
| <b>Mine development and operating costs (\$ millions):</b> |   |                 |                 |               |               |               |               |                     |
| Mining costs   | 11.8  | 24.1            | 22.2            | 15.0          | 10.5          | 10.9          | 10.6          |                     |
| On site processing costs                                   | 1.4   | 7.1             | 7.3             | 6.3           | 5.2           | 5.4           | 5.3           |                     |
| Off site processing costs                                  | 1.8   | 9.3             | 9.4             | 8.1           | 6.7           | 7.0           | 6.8           |                     |
| Other costs <sup>16</sup>                                  | 1.6   | 2.6             | 2.6             | 2.5           | 2.4           | 2.4           | 1.0           |                     |
| Total operating costs                                      | 16.6  | 43.1            | 41.5            | 31.9          | 24.8          | 25.7          | 23.7          |                     |
| <i>(A\$ operating costs per ounce)</i>                     | <i>A\$2,194</i>                               | <i>A\$1,030</i> | <i>A\$1,047</i> | <i>A\$928</i> | <i>A\$759</i> | <i>A\$579</i> | <i>A\$545</i> |                     |
| Capital expenditure  | 55.1  | 12.2            | 5.5             | 0.6           | 0.1           |               |               |                     |
| Closure costs  | 2.0 <sup>17</sup>                             |                 |                 |               |               |               |               | 1.0                 |
| Residual value of assets                                   |   |                 |                 |               |               |               |               | (2.0) <sup>18</sup> |

The detailed analysis supporting these figures and the overall conclusions reached by AMC are set out in AMC's report that is included as Annexure A to this report.

<sup>15</sup> The figures in the life-of-mine model are shown in real terms (i.e., the figures do not incorporate inflation).

<sup>16</sup> Other costs include geology, health and safety, administration costs and royalty payments. Corporate overhead costs are not included.

<sup>17</sup> This represents a cash outlay to provide security for an environmental rehabilitation liability in this amount.

<sup>18</sup> This represents a cash inflow based on an estimate of the residual value of the plant and equipment.

The figures from the adjusted life-of-mine plan have been incorporated into the discounted cash flow model developed by Sumner Hall together with the following additional assumptions:

- i) construction will commence in July 2016 with first production in March 2017;
- ii) all gold production will be sold in the year that it is produced; and
- iii) market consensus US\$ gold prices and A\$:US\$ exchange rates have been adopted from the forecasts published by Consensus Economics, Inc. in their report dated December 2015.

The resulting net cash flows are set out below:

| <b>Dargues Gold Mine – Projected Cash Flows (\$ millions)</b> |                            |                |                |                |                |                |                |                 |
|---|----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
|   | <b>Year ending 30 June</b> |                |                |                |                |                |                |                 |
|   | <b>2017</b>                | <b>2018</b>    | <b>2019</b>    | <b>2020</b>    | <b>2021</b>    | <b>2022</b>    | <b>2023</b>    | <b>Residual</b> |
| Gold produced (ounces)  | 7,568                      | 41,816         | 39,671         | 34,371         | 32,622         | 44,377         | 43,508         |                 |
| <i>US\$ gold price</i>  | <i>\$1,116</i>             | <i>\$1,128</i> | <i>\$1,120</i> | <i>\$1,109</i> | <i>\$1,092</i> | <i>\$1,083</i> | <i>\$1,083</i> |                 |
| <i>Exchange rate</i>  | <i>0.692</i>               | <i>0.708</i>   | <i>0.708</i>   | <i>0.708</i>   | <i>0.708</i>   | <i>0.708</i>   | <i>0.708</i>   |                 |
| <i>A\$ gold price</i>   | <i>\$1,612</i>             | <i>\$1,593</i> | <i>\$1,582</i> | <i>\$1,567</i> | <i>\$1,543</i> | <i>\$1,530</i> | <i>\$1,530</i> |                 |
| <b>Gold sales revenue</b>                                     | <b>12.2</b>                | <b>66.6</b>    | <b>62.7</b>    | <b>53.9</b>    | <b>50.3</b>    | <b>67.9</b>    | <b>66.5</b>    |                 |
| Other revenue   | 0.1                        | 0.4            | 0.4            | 0.3            | 0.3            | 0.4            | 0.4            |                 |
| Total gross revenue   | 12.3                       | 67.0           | 63.1           | 54.2           | 50.6           | 68.3           | 66.9           |                 |
| Royalties   | 0.3                        | 1.4            | 1.3            | 1.2            | 1.0            | 1.5            | 1.4            |                 |
| Net sales revenue   | 12.0                       | 65.6           | 61.8           | 53.0           | 49.6           | 66.8           | 65.5           |                 |
| Mine operating cash costs                                     | 16.6                       | 43.1           | 41.5           | 31.9           | 24.8           | 25.7           | 23.7           |                 |
| <b>EBITDA (loss)</b>  | <b>(4.6)</b>               | <b>22.5</b>    | <b>20.3</b>    | <b>21.1</b>    | <b>24.8</b>    | <b>41.1</b>    | <b>41.8</b>    |                 |
| Depreciation  | 7.9                        | 9.9            | 11.0           | 11.2           | 11.2           | 11.2           | 11.2           |                 |
| Operating profit before tax                                   | (12.5)                     | 12.6           | 9.3            | 9.9            | 13.6           | 29.9           | 30.6           |                 |
| Tax expense (benefit) <sup>19</sup>                           | (3.8)                      | 3.8            | 2.8            | 3.0            | 4.1            | 9.0            | 9.2            |                 |
| <b>Net operating cash flow</b>                                | <b>(8.7)</b>               | <b>8.8</b>     | <b>6.5</b>     | <b>6.9</b>     | <b>9.5</b>     | <b>20.9</b>    | <b>21.4</b>    |                 |
| Addback depreciation  | 7.9                        | 9.9            | 11.0           | 11.2           | 11.2           | 11.2           | 11.2           |                 |
| Deduct capital expenditure                                    | (55.1)                     | (12.2)         | (5.5)          | (0.6)          | (0.1)          |                |                |                 |
| Deduct closure costs  | (2.0)                      |                |                |                |                |                |                | (1.0)           |
| Add residual value of assets                                  |                            |                |                |                |                |                |                | 2.0             |
| <b>Net cash flow</b>  | <b>(57.9)</b>              | <b>6.5</b>     | <b>12.0</b>    | <b>17.5</b>    | <b>20.6</b>    | <b>32.1</b>    | <b>32.6</b>    | <b>1.0</b>      |

Sumner Hall has calculated the net present value of the Dargues Gold Mine, based on these projected cash flows, using a range of assumptions regarding discount rates and the availability of carryforward tax losses. The range of net present values is summarised below:

| <b>Dargues Gold Mine – Discounted Cash Flow Model Sensitivity Matrix (\$ millions)</b> |   |           |            |            |            |
|--|---|-----------|------------|------------|------------|
|  | <b>Discount Rate Assumption (in real terms)</b> |           |            |            |            |
|  | <b>8%</b>                                       | <b>9%</b> | <b>10%</b> | <b>11%</b> | <b>12%</b> |
| <b>Carryforward Tax Loss Assumption</b>  |   |           |            |            |            |
| Carryforward tax losses not available to a purchaser                                   | 27  | 24        | 21         | 18         | 15         |
| Reduction in tax payable due to carryforward tax losses                                | 34  | 30        | 27         | 24         | 21         |

Based on this analysis, Sumner Hall has adopted a value of \$20 million as the high end of the valuation range for the Dargues Gold Mine. The principal reasons for reaching this conclusion are that:

- i) a weighted average cost of capital of 8% (in real terms) is a typical discount rate that is adopted by gold companies to assess the value of a project based on a completed feasibility study;
- ii) purchasers of gold companies and gold assets, where the principal asset is a pre-development project based on a completed feasibility study, usually apply an additional development risk

<sup>19</sup> This table has been prepared on the basis that a 30% corporate income tax rate would apply. The potential benefit from carryforward tax losses has been considered separately.

discount either in the form of adopting a higher discount rate in the cash flow model or by applying a discount factor to the net present value result;

- iii) acquirers of Unity Mining are unlikely to be able to utilise any of the carryforward tax losses to offset taxable profits from the Dargues Gold Mine; and
- iv) Unity Mining may be able to utilise some carryforward tax losses to offset taxable profits from the Dargues Gold Mine if there is no change in ownership<sup>20</sup>. However, Unity Mining is unlikely to be able to fund and develop the Dargues Gold Mine on its own.

As a cross check on the selection of a valuation figure from the discounted cash flow analysis for the Dargues Gold Mine, Sumner Hall has compared the prices paid for acquisitions of selected pre-development gold assets in recent years to the net present value that was disclosed to the market for the results of feasibility studies on those same assets. This analysis is summarised below:

| Market Evidence Regarding Selected Comparable Gold Transactions |                                |                            |                |               |                   |  |              |
|---|--------------------------------|----------------------------|----------------|---------------|-------------------|--|--------------|
| Asset Acquired  | Enterprise Value (\$ millions) | Feasibility Study          |                |               |                   |  | Value Ratio  |
|   |                                | Capital Cost (\$ millions) | Gold Price     | Discount Rate | NPV (\$ millions) |  |              |
| August 2015 Castle Hill heap leach                              | 11                             | 34                         | \$1,500        | 8%            | 41                |  | 0.27x        |
| July 2015 Mt Henry Gold Project                                 | 25                             | 161                        | \$1,500        | 8%            | 40                |  | 0.63x        |
| July 2015 Mt Henry Gold Project                                 | 25                             | 161                        | \$1,600        | 8%            | 80                |  | 0.31x        |
| July 2015 Grosvenor Gold Project                                | 20                             | na                         | \$1,450        | 7.7%          | 174               |  | 0.12x        |
| October 2014 Deflector Gold Project                             | 41                             | 62                         | \$1,555        | 8%            | 100               |  | 0.41x        |
| April 2014 Bullabulling Gold Project                            | 28                             | 326                        | \$1,622        | 8%            | 177               |  | 0.16x        |
| January 2014 Thunderbox Gold Project                            | 22                             | 65                         | \$1,500        | 8%            | 120               |  | 0.19x        |
| April 2013 Marda Gold Project                                   | 28                             | 24                         | \$1,500        | 10%           | 61                |  | 0.46x        |
| January 2013 Dargues Reef Gold Project                          | 25                             | 42                         | \$1,400        | 8%            | 75                |  | 0.33x        |
| <b>Average</b>  | <b>25</b>                      | <b>102</b>                 | <b>\$1,514</b> |               | <b>96</b>         |  | <b>0.32x</b> |
| <b>Median</b>   | <b>25</b>                      | <b>62</b>                  | <b>\$1,500</b> |               | <b>80</b>         |  | <b>0.31x</b> |

The detailed information underlying this analysis is included as Annexure B to this report.

This evidence should be viewed with caution for several reasons including that:

- i) the data that has been disclosed in relation to feasibility studies is of a preliminary nature and is not necessarily suitable for the purpose of estimating fair market value;
- ii) the analysis is based on information that has been publicly disclosed by the companies involved but it has not been possible to independently assess, verify or challenge the underlying assumptions or calculations that have been made in the feasibility studies or the net present value calculations; and
- iii) the variation in the transaction value parameters is fairly large.

Nonetheless, this analysis suggests that purchasers of pre-development gold assets do not attribute more than a modest weight to results from discounted cash flow models based on feasibility studies. The average and median figures indicate that the fair market value for acquisitions of pre-development gold assets with completed feasibility studies is in the order of 0.3 times the net present value derived from a discounted cash flow model based on a feasibility study.

In the case of the Dargues Gold Mine, this fraction of 0.3 times (or some other fraction) should not necessarily be applied to the results of Sumner Hall's discounted cash flow model because that model reflects adjustments that have been made by AMC and that might not necessarily be comparable to the figures that have been publicly disclosed in relation to the feasibility studies for other gold assets.

<sup>20</sup> Unity Mining has received specialist tax advice that the carryforward tax losses are subject to an available fraction of approximately 40% if the ownership of Unity Mining does not change (compared to an available fraction of close to zero in the event of a change of ownership).

Sumner Hall's discounted cash flow model results in a net present value of \$27 million at a discount rate of 8%. Applying a fraction of 0.3 times to that figure results in a value of approximately \$8 million for the Dargues Gold Mine. However, prior to making the adjustments that are set out in the AMC report, the discounted cash flow model resulted in a net present value of approximately \$50 million at a discount rate of 8%. Applying a fraction of 0.3 times to that figure results in a value of approximately \$15 million for the Dargues Gold Mine.

#### **5.4 Valuation of the Henty Gold Mine**

Sumner Hall has valued Unity Mining's interest in the Henty Gold Mine in the range \$4-6 million.

The Henty Gold Mine was placed on a care and maintenance program in November 2015. Accordingly, an earnings or cash flow oriented valuation methodology cannot be applied. Sumner Hall has instead assessed the value of the Henty Gold Mine on the basis of:

- i) a valuation that has been prepared by AMC; and
- ii) actual and potential transactions involving acquisitions of interests in the Henty Gold Mine.

AMC has made an assessment of the value of the Henty Gold Mine on the basis of comparable transactions involving the purchase and sale of undeveloped gold resources and exploration values for mining tenements with undefined ore deposits. AMC has valued the Henty Gold Mine in the range \$2.9-6.8 million (for a 100% interest) on this basis. AMC's valuation is set out in detail in their report that is included as Annexure A to this report.

Unity Mining entered into a Farm-In Agreement with Diversified Minerals in April 2015 in relation to the Henty Gold Mine. The Farm-In Agreement provided Diversified Minerals with the right to earn up to a 50% joint venture interest in the Henty Gold Mine by funding a comprehensive exploration drilling program totalling \$5 million over an eighteen month period. This transaction implies a present value of approximately \$4.5 million for a 50% interest in the Henty Gold Mine.

Unity Mining received a non-binding, indicative offer from a private company in November 2015 for a 50% interest in the Henty Gold Mine. The indicative offer proposed that:

- i) Unity Mining would receive a payment of \$6.0 million for a 50% interest in the Henty Gold Mine (on the basis that Diversified Minerals would become entitled to the other 50% interest as a result of the Farm-In Agreement);
- ii) the purchaser would provide security to the relevant authority for the release of Unity Mining's environmental rehabilitation bonds relevant to that 50% interest; and
- iii) Unity Mining would be responsible for payment of all employee redundancy liabilities for the Henty Gold Mine.

The non-binding, indicative offer was subject to due diligence, financing and negotiation of a definitive purchase and sale agreement.

This transaction implies a value of \$7.3 million for a 50% interest in the Henty Gold Mine (including \$1.3 million for the release of bank deposits securing the environmental rehabilitation bonds).

Sumner Hall has considered the information that is set out above and concluded that a value in the range \$4-6 million is a reasonable estimate of the realisable value for Unity Mining's interest in the Henty Gold Mine.

#### **5.5 Valuation of Other Gold Exploration Assets**

AMC has made an assessment of the value of Unity Mining's other gold exploration assets on the basis of a multiple of exploration expenditure methodology. This methodology applies a prospectivity enhancement multiplier of between 0.5 and 3.0 times to an estimate of relevant and effective historical exploration expenditure. AMC's valuation is set out in detail in their report that is included as Annexure A to this report.

Based on AMC's report, Sumner Hall has valued Unity Mining's other exploration assets in the range \$0.4-2.2 million.

## **5.6 Corporate Costs**

Unity Mining incurs corporate overhead costs that are not allocated to the profit centres for the individual gold mining businesses. Excluding costs relating to care and maintenance for the Henty Gold Mine and exploration expenses, corporate costs are currently running at a rate of approximately \$4-5 million per annum. These costs include costs associated with the offices of the Chief Executive Officer, the Chief Financial Officer, accounting and tax, company secretarial and legal services, exploration, mine planning and development and listed company costs (*e.g.*, directors' fees, annual reports and shareholder communications, share registry costs and listing fees).

An acquirer of 100% of Unity Mining would be able to save the costs associated with being a public listed company. An acquirer of Unity Mining that has an existing presence in Australia, particularly in the gold industry, may also be able to eliminate some duplicated senior executive roles. An acquirer may also be able to achieve savings on some other corporate costs.

For valuation purposes, Sumner Hall has made two contrasting assumptions (consistent with the assumptions that underpin the low and high end of the valuation range for the Dargues Gold Mine respectively):

- i) assuming that development of the Dargues Gold Mine does not proceed, corporate costs would continue through the date of completion of the Scheme and a period of six months thereafter; and
- ii) assuming that development of the Dargues Gold Mine does proceed, corporate costs would continue through the expected seven year life of the mine.

This results in an estimated present value for corporate overhead costs in the range \$3.5-9.5 million.

## **5.7 Other Assets and Liabilities**

The assets and liabilities of Unity Mining that are not taken into account in Sumner Hall's valuation of Unity Mining's three main gold businesses include:

- i) cash and cash equivalents;
- ii) the Kangaroo Flat Gold Mine residual assets and liabilities;
- iii) a 19.3% interest in GoldStone Resources;
- iv) sundry bank deposits;
- v) carryforward tax losses (to the extent not assumed to be utilised in relation to projected cash flows from the Dargues Gold Mine);
- vi) non-recurring liabilities relating to the Henty Gold Mine;
- vii) a liability for cancellation of outstanding options for the issue of Unity Mining shares; and
- viii) finance lease liabilities.

Each of these assets and liabilities is discussed in more detail in the following paragraphs.

### **5.7.1 Cash and Cash Equivalents**

Unity Mining has \$18.1 million cash on hand as at 31 December 2015. This cash balance is surplus to the company's requirements (in the absence of a decision to proceed with development of the Dargues Gold Mine or one of the company's other gold assets). The Capital Return will require a cash payment of \$11.5 million and leave \$6.6 million available for other purposes (including payment of current trade creditors and accruals as and when they fall due).



Ongoing corporate costs, including exploration expense commitments, will need to be funded from the remaining cash balance. These costs have been allowed for elsewhere in the valuation.

### 5.7.2 Discontinued Interest in the Kangaroo Flat Gold Mine

Unity Mining owns 100% of the Kangaroo Flat Gold Mine in the Bendigo goldfields. The Kangaroo Flat Gold Mine has not operated since June 2011 when the mine was placed on a care and maintenance program. This was the second time in five years that the mine had been placed on a care and maintenance program. Production from the Kangaroo Flat Gold Mine during that period is summarised below:

| Kangaroo Flat Gold Mine – Historical Gold Production |                    |               |          |               |               |               |
|--|--------------------|---------------|----------|---------------|---------------|---------------|
|  | Year ended 30 June |               |          |               |               |               |
|  | 2006               | 2007          | 2008     | 2009          | 2010          | 2011          |
| Ore mined (tonnes)                                   | -                  | 141,499       | -        | 159,161       | 204,580       | 130,251       |
| Ore processed (tonnes)                               | -                  | 175,966       | -        | 148,769       | 205,782       | 183,485       |
| Grade (grams Au per tonne)                           | -                  | 5.37          | -        | 8.48          | 6.19          | 4.07          |
| Recovery rate  | -                  | 88.0%         | -        | 91.0%         | 89.5%         | 84.3%         |
| <b>Gold produced (ounces)</b>                        | <b>-</b>           | <b>26,735</b> | <b>-</b> | <b>36,927</b> | <b>36,649</b> | <b>20,263</b> |

Bendigo Mining (now named Unity Mining) announced on 14 July 2006 that the first gold bar from the Bendigo Goldfields since 1954 (*i.e.*, after a hiatus of 52 years) had been produced during commissioning of the Kangaroo Flat Gold Mine processing plant. Bendigo Mining also announced that the company planned to expand gold production to 200,000 ounces per annum over the next three years and then to 600,000 ounces per annum at full production.

Commercial production commenced in October 2006 but ceased after only eight months due to limited reserves. The company announced in December 2006 that major errors had been made in the geological estimation of the size and quality of the initial reserves. The mine and the processing plant were placed on a care and maintenance program in June 2007 and the focus of the operations changed from production to renewed exploration.

A number of new gold discoveries were announced in November 2007. Trial production on these new discoveries and treatment of low grade ore that had been stockpiled during the previous mining operations commenced in July 2008 with production of new ore ramping up during the September 2008 quarter. However, the company announced in April 2011 that exploration success had not kept pace with mine production. Following depletion of reserves accessible from the existing mine development, the Kangaroo Flat Gold Mine was again placed on a care and maintenance program in June 2011.

Unity Mining entered into an Option Agreement with Catalyst Metals Limited (“Catalyst Metals”) in January 2012 regarding a potential sale of the Kangaroo Flat Gold Mine. The Option Agreement provided Catalyst Metals with an exclusive period of twelve months in which to negotiate a purchase of the Kangaroo Flat Gold Mine. The Option Agreement provided, *inter alia*, for:

- i) a non-refundable upfront payment to Unity Mining of \$100,000 together with three further non-refundable quarterly payments to Unity Mining of \$100,000 each in the event that the Option Agreement has not been terminated at each quarterly interval;
- ii) the issue of new Catalyst Metals share to Unity Mining with a minimum value of \$4 million and a maximum value of \$10 million<sup>21</sup> upon completion of the purchase of the Kangaroo Flat Gold Mine; and
- iii) replacement by Catalyst Metals, upon completion of the purchase of the Kangaroo Flat

21 The Option Agreement stipulated that Unity Mining would acquire an interest of between 15% and 25% in Catalyst Mining that was valued at a minimum of \$4 million and a maximum of \$10 million and, accordingly, the number of shares that would ultimately be issued was dependent on movements in the Catalyst Metals share price during the period of the Option Agreement.



Gold Mine, of the environmental rehabilitation bonds of approximately \$6 million that were held by Unity Mining.

The Option Agreement attributed a minimum value of approximately \$10 million to the Kangaroo Flat Gold Mine (including the release of the environmental rehabilitation bonds). However, the Option Agreement was terminated by mutual agreement in October 2012. Catalyst Metals had concluded that it would not be able to define a gold resource sufficient to justify the purchase price for the Kangaroo Flat Gold Mine processing plant and Unity Mining had become interested in considering the use of the Kangaroo Flat Gold Mine processing plant (or parts thereof) at the Dargues Gold Mine.

Unity Mining reached a decision in September 2015 that on site cyanide processing would not take place at the Dargues Gold Mine. The Kangaroo Flat Gold Mine processing plant was again surplus to requirements and Unity Mining announced that a conditional Asset Sale Agreement had been entered into with GBM Gold Limited ("GBM Gold") for the sale of the Kangaroo Flat Gold Mine. The Asset Sale Agreement provided, inter alia, for:

- i) a non-refundable upfront payment to Unity Mining of \$100,000;
- ii) the transfer to GBM Gold of a 100% interest in the Kangaroo Flat Gold Mine including the mining lease, plant and equipment and responsibility for the environmental rehabilitation liability;
- iii) assignment from Unity Mining to GBM Gold of the \$5.63 million bank deposit that supports a bank guarantee for the environmental rehabilitation liability; and
- iv) four instalment payments to Unity Mining comprising \$1 million on completion of the sale, \$1 million on the first anniversary of completion, \$1.8 million on the second anniversary of completion and \$1.83 million on the third anniversary of completion.

The effect of the Asset Sale Agreement was that Unity Mining would sell 100% of the Kangaroo Flat Gold Mine in exchange for a series of upfront and deferred payments that were equal to the face value of the bank deposit and the environmental rehabilitation liability. The security for the deferred payments, however, was made up of the Kangaroo Flat Gold Mine plant and equipment and other related assets (but not the bank deposit that would have by then been transferred to GBM Gold).

The Asset Sale Agreement was due for completion by 31 October 2015 and was conditional upon:

- i) approval by GBM Gold shareholders;
- ii) approval of the transfer of the mining tenements to GBM Gold by the relevant Victorian Government ministers; and
- iii) acceptance of replacement environmental bonds from GBM Gold by the Victorian Department of Economic Development, Jobs, Transport & Resources.

GBM Gold shareholder approval was obtained on 28 October 2015. However, Unity Mining and GBM Gold announced on 30 October 2015 that the completion date had been extended to at least 31 December 2015 in order to allow time for Victorian Government approvals to be obtained. Unity Mining and GBM Gold announced on 22 December 2015 that a further extension to 28 February 2016 had been agreed.

Sumner Hall regards the conditional Asset Sale Agreement as the best evidence of value for the Kangaroo Flat Gold Mine at the date of this report. However, the agreement has been delayed several times and completion is uncertain. Further, collectability of any deferred payments is not guaranteed and is ultimately dependent on the value of the Kangaroo Flat Gold Mine assets that have been agreed as providing security for any unpaid amounts.

Assuming that the conditional Asset Sale Agreement is completed, Sumner Hall has estimated the value of that agreement in the range \$1.0-4.7 million. The low end of this range represents

the upfront payment of \$1.0 million that would be received by Unity Mining upon completion. In the event that the deferred payments were not made, Sumner Hall has assessed the value of the security as nil. The high end of this range represents the present value of the upfront and deferred payments.

However, it is possible that the conditional Asset Sale Agreement will not be completed. In that event, Unity Mining would not receive any further payment from GBM Gold and the Kangaroo Flat Gold mine assets, bank deposits and environmental rehabilitation liability would remain with Unity Mining. Unity Mining would also remain liable for ongoing care and maintenance costs. Sumner Hall has not attributed any value to the Kangaroo Flat Gold Mine in that scenario on the basis that the residual value of the assets would be sufficient to cover ongoing care and maintenance costs and the bank term deposits would be sufficient to fund all environmental rehabilitation liabilities. It is possible that the value of the Kangaroo Flat Gold Mine could be negative considering the ongoing care and maintenance costs and uncertainty regarding the other values.

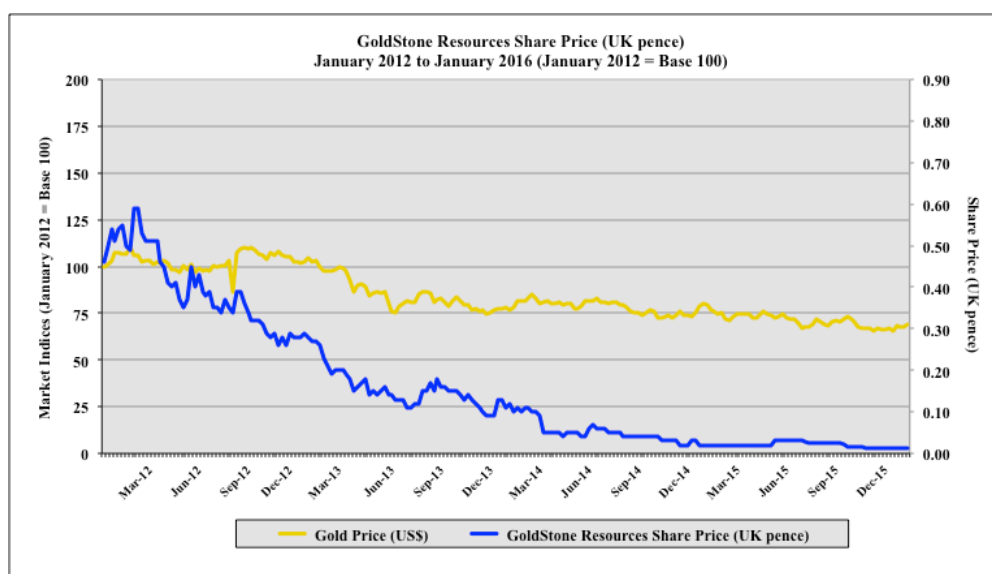
Accordingly, Sumner Hall has attributed a value in the range nil to \$4.7 million to the Kangaroo Flat Gold Mine for the purpose of this report.

If the conditional Asset Sale Agreement were to be completed between the date of this report and the meetings to approve the Proposed Transaction, Sumner Hall would instead adopt a value in the range \$1.0-4.7 million for the Kangaroo Flat Gold Mine (as discussed in previous paragraphs). In that event, Sumner Hall's overall valuation of Unity Mining would change to the range 2.4-3.6¢ per share. Sumner Hall's conclusion that the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders would not change.

### 5.7.3 GoldStone Resources

Unity Mining holds 12,013,173 shares in GoldStone Resources, representing a 19.3% interest in the total of 62,286,363 fully paid ordinary shares on issue. Unity Mining is the second largest shareholder in GoldStone Resources. Stratex International plc ("Stratex") is the largest shareholder with a 33.5% interest in the fully paid ordinary shares (together with warrants that, if exercised, would result in Stratex holding a 50.1% interest in the voting rights of the company). Stratex is an AIM listed company that is involved in the exploration and development of gold and base metals deposits in Turkey and west Africa. Stratex became the largest shareholder in GoldStone Resources in October 2014 as a result of a share placement and share consolidation that also resulted in a dilution of Unity Mining's interest from 29.5% to 19.3%. Prior to that transaction, Unity Mining had been the largest shareholder in GoldStone Resources.

GoldStone Resources shares trade on the AIM Exchange in London. Trading in GoldStone Resources shares from January 2012 to January 2016 is summarised below:



GoldStone Resources shares have performed poorly, both in absolute terms and relative to the gold market, from 2012 to date.

Sumner Hall regards Unity Mining's 19.3% interest in GoldStone Resources as a non-controlling portfolio interest. Accordingly, Sumner Hall has valued Unity Mining's investment on the basis of the volume weighted average price of 1.4 pence for GoldStone Resources shares over the past three months. This results in an estimated realisable value of approximately \$0.4 million.

#### **5.7.4 Sundry Assets and Liabilities**

The remaining assets and liabilities of Unity Mining have been valued on the basis of the estimated realisable value for each item as summarised below:

- i) the company has a number of bank term deposits that are related to office premises and equipment (rather than as security for environmental rehabilitation liabilities). In addition, a portion of the bank deposit that secures the environmental rehabilitation liability for the Henty Gold Mine will be released when Diversified Minerals completes its acquisition of a 30% joint venture interest in the mine (and a further amount will be released if Diversified Minerals completes Stage 3 of the Farm-In Agreement and takes up a further 20% joint venture interest). These sundry bank deposits have been included as surplus assets at book value as shown in the Unity Mining balance sheet as at 31 December 2015;
- ii) Unity Mining has carryforward tax losses that represent a future tax benefit of \$101.2 million. However, the company has not recognised the value of this deferred tax asset in the balance sheet due to the uncertainty of timing in relation to generating taxable profits. In addition to that uncertainty, it is unlikely that a purchaser of Unity Mining would be able to utilise any of these tax losses. Sumner Hall has reviewed the specialist tax advice that Unity Mining has received in relation to these tax losses. That advice indicates that the allowable fraction of losses that would apply to deductibility of the carryforward losses in the hands of a purchaser of Unity Mining is essentially nil. Apart from considering the possibility that some of these carryforward tax losses might be used to offset taxable profits in the discounted cash flow model for the Dargues Gold Mine (and only then in the event that Unity Mining could develop the mine without a change of ownership), Sumner Hall has not attributed any value to the carryforward tax losses;
- iii) creditors and accruals as at 31 December 2015 include approximately \$1.6 million of non-recurring liabilities relating to the Henty Gold Mine. These liabilities have been included as a liability for valuation purposes because they do not form part of working capital or the allowance for ongoing corporate costs;
- iv) cancellation of 43,227,196 outstanding options to acquire Unity Mining shares will require payment of 0.86¢ per option (equivalent to approximately \$0.4 million) prior to completion of the Scheme. This contingent payment has been included as a liability for valuation purposes; and
- v) finance lease liabilities have been included as a liability for valuation purposes at the remaining unpaid balance as shown in the Unity Mining balance sheet as at 31 December 2015.

#### **5.8 Alternative Valuation Methodologies**

Regulatory Guide 111 states that an expert should, where possible, use more than one valuation methodology. Regulatory Guide 111 refers to a number of valuation methodologies that ASIC considers it generally appropriate for an expert to consider:

- i) the discounted cash flow valuation methodology together with the estimated realisable value of any surplus assets;

- ii) the application of earnings multiples appropriate to the business or industry in which the company operates to the estimated future maintainable earnings or cash flows of the business together with the estimated realisable value of any surplus assets;
- iii) the amount that would be available for distribution to security holders in an orderly realisation of the company's assets;
- iv) the quoted price for listed securities, when there is a listed and active market and allowing for the fact that the quoted price may not reflect the value of those securities in the context of an acquisition of 100% of the company; and
- v) any recent genuine offers received by the company for the entire business or for any business units.

Regulatory Guide 111 also suggests that alternative valuation methodologies should be considered as a secondary check on the results of the principal valuation methodology.

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets typically attribute no value to goodwill or other intangible assets associated with ongoing trading and are rarely appropriate for valuation of a company as a going concern. To some extent, this approach has been adopted in relation to some of Unity Mining's assets but only in the context of estimating the realisable value for those assets rather than a winding up of the company as a whole.

The prices for shares that can be observed through sharemarket trading typically represent the value of portfolio interests in those shares and do not reflect the value of a controlling interest in the company. Valuations based on the use of quoted prices for listed securities are typically found in relation to the estimated realisable value of surplus assets where a company has an investment portfolio including non-controlling interests in various businesses. That approach has been adopted in relation to Unity Mining's portfolio interest in GoldStone Resources but is otherwise regarded as inappropriate.

The nature of the principal assets of Unity Mining (*i.e.*, pre-development gold mining assets and gold mines that have been placed on a care and maintenance program after a number of years of operation) means that valuation methodologies that are oriented towards measuring earnings and cash flows (*e.g.*, the discounted cash flow valuation methodology and the various permutations of the capitalised earnings methodology) are not as useful or appropriate as they generally are. Sumner Hall has instead estimated the realisable value of the principal assets of Unity Mining on the basis of comparisons with the market prices paid for comparable assets (together with appropriate adjustments for the purpose of comparison). This comparison also includes, in some cases, recent offers that have been received by the company for some of the individual assets of Unity Mining. In the case of the Dargues Gold Mine, a discounted cash flow valuation has also been considered (at the high end of the valuation range) although uncertainties regarding the funding and development of the Dargues Gold Mine diminish the suitability of that valuation method by comparison with an operating gold mine.

## **6 Evaluation of the Proposed Transaction**

### **6.1 Overall conclusion**

In Sumner Hall's opinion, the Proposed Transaction is fair and reasonable and, therefore, the Proposed Transaction is in the best interests of Unity Mining shareholders in the absence of a superior proposal.

### **6.2 Key terms of the Proposed Transaction**

If the Proposed Transaction is approved and implemented, Unity Mining shareholders will receive a cash payment of 1.9¢ per share from Diversified Minerals in return for the transfer of 100% of the ordinary shares in Unity Mining to Diversified Minerals. In addition, Unity Mining shareholders will receive the Capital Return of 1.0¢ per share. Accordingly, the proposed total cash payment is 2.9¢ per share.

The Proposed Transaction includes securities that are the subject of the various Unity Mining employee incentive plans. In respect of the outstanding performance rights, the Scheme Implementation Agreement stipulates that any outstanding performance rights that have not vested by the completed date for the Scheme will automatically vest. Accordingly, the holders of those performance rights will become shareholders and will participate in the Proposed Transaction on an equal basis with other shareholders. In respect of the outstanding options to acquire fully paid ordinary shares, the Scheme Implementation Agreement stipulates that all outstanding options must be cancelled by the completion date for the Scheme. Conditional on the Proposed Transaction becoming effective, option holders will receive a cash payment of 0.86¢ per option and the outstanding options will be cancelled.

The Proposed Transaction is subject to a number of conditions that are set out in full in the Explanatory Booklet to be sent to shareholders by Unity Mining. The principal conditions include:

- i) that an independent expert concludes that the Proposed Transaction is in the best interests of Unity Mining shareholders; and
- ii) approval from Unity Mining shareholders by the requisite majorities under Section 411 and Section 256B(1) of the Corporations Act.

Unity Mining has agreed to a number of exclusivity arrangements with Diversified Minerals that will apply during the life of the Proposed Transaction. These arrangements include no-shop, no-talk and no-due diligence provisions that restrict Unity Mining's ability to initiate or encourage discussions or negotiations with alternative bidders unless any such action or inaction would constitute a breach of the fiduciary duties of the Directors of Unity Mining. Diversified Minerals has also been granted a right to match any alternative proposals and Diversified Minerals is entitled to a break fee of \$400,000 from Unity Mining in the event that the Proposed Transaction does not proceed as the result of an alternative proposal succeeding and in certain other limited circumstances.

### **6.3 The consideration to be paid to Unity Mining shareholders is fair**

Based on assumptions that are regarded as reasonable and described in detail elsewhere in this report, Sumner Hall has valued 100% of Unity Mining in the range \$26.2-40.7 million which represents 2.3-3.6¢ per share after dilution for performance rights and options. The proposed total cash payment of 2.9¢ (including the Capital Return of 1.0¢ per share) for each Unity Mining share is within Sumner Hall's estimate of the underlying value for 100% control of the shares in Unity Mining in the range 2.3-3.6¢ per share and, accordingly, the price offered in the Proposed Transaction is fair.

The valuation range is fairly wide. The principal reason for this is the dichotomy of the Dargues Gold Mine. On the one hand, the Dargues Gold Mine is a pre-development asset that has a history of local opposition to its development. Although most of the permitting for the project has been obtained, the company's application for planning permission to extend the mining lease beyond 2018 is awaiting approval. A significant commitment for funding of development capital will be necessary before the project can move forward. Unity Mining is unlikely to be able to fund development of the mine from the company's existing capital structure and shareholder base. Dilution in the value of Unity Mining's interest in the Dargues Gold Mine is almost certain to occur as a result of any funding arrangements that might be put in place. On the other hand, the feasibility study and life-of-mine plan exhibit an attractive set of figures. The production and cost estimates from those studies result in a significant net present

value. However, the mine has a short life and the positive net present value arises in the final two years after five years of cumulative negative net cash flow. This poses additional areas of risk for potential purchasers of the Dargues Gold Mine.

In October 2015, following receipt of a number of indicative proposals in relation to various assets and other strategic initiatives, the Directors of Unity Mining determined that it was in the interests of Unity Mining shareholders to conduct a comprehensive strategic review to examine all options to maximise shareholder value (including Unity Mining continuing as a standalone company). Unity Mining and its advisers actively progressed discussions with a number of parties on a range of potential transactions, including potential change of control proposals and potential asset sales. The Directors of Unity Mining concluded that the Proposed Transaction was superior to all of the alternatives that were presented. Although discussions were progressed with a number of parties regarding the Dargues Gold Mine (including a review of the feasibility study, life-of-mine plan and other technical due diligence information) as part of the strategic review, no definitive proposals were received regarding a purchase of the Dargues Gold Mine.

Individual shareholders who form different views on value based on the information that has been provided to Sumner Hall might be able to justify a view that the price offered in the Proposed Transaction is too low. For example, individual shareholders who hold bullish views regarding the development of the Dargues Gold Mine and who discount the possibility that the project would remain undeveloped and be sold as is or the possibility that the financial outcome of the project would not meet the expectations that are set out in the feasibility study and the life-of-mine plan might form such a view. However, on the balance of probabilities, that is not Sumner Hall's view and any such conclusion is a matter for those individual shareholders. Those views do not appear to be shared by potential purchasers of Unity Mining or the sharemarket generally.

#### **6.4 The Proposed Transaction is reasonable**

An offer price that is fair is also, by definition (in terms of Regulatory Guide 111), reasonable. Accordingly, the Proposed Transaction is fair and reasonable and, therefore, the Proposed Transaction is in the best interests of Unity Mining shareholders. Nonetheless, there are a number of other factors that relate to the reasonableness of the Proposed Transaction that Unity Mining shareholders may wish to consider in determining whether or not to vote for the Proposed Transaction. Those other factors are discussed below.

##### **6.4.1 Outlook for trading in Unity Mining shares in the absence of the Proposed Transaction**

The Proposed Transaction provides Unity Mining shareholders with the ability to sell their shares for cash at a price that significantly exceeds the recent trading range for Unity Mining shares. The opportunity for Unity Mining shareholders to realise this value may not be otherwise available for some time, at least not in the short term (in the absence of the Proposed Transaction or an alternative proposal).

In the absence of the Proposed Transaction or some other material price sensitive information, Sumner Hall expects that Unity Mining shares would trade at prices below current market prices (which reflect the proposed total cash payment of 2.9¢ per share that shareholders would receive if the Proposed Transaction is approved). Those prices would almost certainly not be sustained, at least in the short term, if Unity Mining were to remain listed as is (at least in the absence of some other material price sensitive information such as an alternative proposal for the acquisition of 100% of Unity Mining or a significant positive change in the prospects for the company's gold businesses).

Unity Mining shares have not traded at prices as high as the proposed total cash payment of 2.9¢ per share since March 2014 when a capital raising to raise \$6 million at a price of 2.7¢ per share (which was a 17.5% discount to the pre-capital raising market price) took place. That capital raising was made at a time when the company expected the Henty Gold Mine to continue to operate for four or more years and the Dargues Gold Mine, although delayed, was no less prospective than it is now. In the event that the Proposed Transaction is not approved and Unity Mining was to remain listed, the company would also eventually require additional cash to fund the development of the Dargues Gold Mine and other exploration activities. The potential dilution from a significant capital raising to fund those activities would place downward pressure on the Unity Mining share price.



#### 6.4.2 Quantum of the takeover premium

The proposed total cash payment of 2.9¢ to be paid to Unity Mining shareholders under the Proposed Transaction represents a premium of 45% over the last trading price of 2.0¢ immediately prior to the announcement of the Proposed Transaction and a 50% premium to the 1.94¢ average price at which Unity Mining shares traded over the three months preceding the announcement of the Proposed Transaction. Over a longer period, the proposed total cash payment of 2.9¢ per share represents a 128% premium to the 1.27¢ average price at which Unity Mining shares had traded over the twelve months preceding the announcement of the Proposed Transaction (adjusted for the 0.5¢ capital return that took place in early September 2015). These premiums are well above the level of premiums that are generally observed in takeovers and schemes of arrangement in the Australian market that tend to be in the range 25-35% compared to the pre-offer share trading price. However, it is important to recognise that:

- i) takeover premiums are observed outcomes rather than determinants of value;
- ii) pre-offer share prices can sometimes reflect takeover speculation or other unusual factors; and
- iii) takeover premiums vary widely depending on individual circumstances including many instances where the takeover premium is well below or well above the 25-35% range that is often cited as the typical range.

#### 6.4.3 Alternative proposals

The share register of Unity Mining is widely held and there is no individual shareholding in Unity Mining that could block an alternative potential purchaser to Diversified Minerals. However, Diversified Minerals' 13.7% shareholding could be used to prevent compulsory acquisition in a takeover offer and would make it difficult for a counter bidder to achieve 100% ownership through a scheme of arrangement. Unity Mining has agreed to no-shop, no-talk and no-due diligence provisions and a break fee arrangement with Diversified Minerals. Diversified Minerals has also been granted the right to match any unsolicited competing proposal. Although these types of provisions are no longer unusual in the Australian market and the potential reimbursement fee of \$400,000 does not present a material barrier to alternative proposals, these provisions could still inhibit a counter bidder. In any event, the opportunity to put forward an alternative proposal will remain until the Proposed Transaction meeting and the Directors of Unity Mining would consider any such proposal on its merits if and when it arose.

#### 6.5 The Capital Return does not materially prejudice the ability of Unity Mining to pay its creditors

In Sumner Hall's opinion, the ability of Unity Mining to pay its existing creditors would not be materially prejudiced by the Capital Return. The principal reasons for this conclusion are that:

- i) the Capital Return involves a significant net cash outflow of approximately \$11.5 million relative to the balance for cash and cash equivalents of approximately \$18 million as at 31 December 2015. However, Unity Mining has no debt (apart from a small residual balance of finance lease liabilities) and the company will have a cash balance that is surplus to its minimum operating requirements even after the Capital Return;
- ii) apart from approximately \$1.8 million of employee entitlements and tax related creditors, most if not all of Unity Mining's remaining trade creditors are short term in nature (*i.e.*, repayable within a relatively short period of 30-90 days at any point in time) and those creditors would therefore have the opportunity to reassess for themselves whether to continue to provide credit to Unity Mining; and
- i) the estimated potential environmental and rehabilitation liabilities of Unity Mining are the subject of bank guarantees secured by bank term deposits that are additional to the operating bank accounts of Unity Mining.

Sumner Hall makes no warranty, express or implied, regarding the potential recoverability of existing and contingent debts owed by Unity Mining as at the date of this report or any subsequent date. Parties

who may become creditors of Unity Mining in future must rely on their own investigations of the financial position of Unity Mining in that respect.

**6.6 Each Unity Mining shareholder should make their own decision based on their own criteria**

Sumner Hall has been engaged to prepare an independent expert's report setting out its opinion as to whether the Proposed Transaction is in the best interests of shareholders. Sumner Hall has not been engaged to provide a recommendation to Unity Mining shareholders in relation to the Proposed Transaction. Responsibility for a recommendation in relation to the Proposed Transaction rests with the Directors of Unity Mining.

In any event, approval or rejection of the Proposed Transaction is a matter for individual shareholders based on each shareholder's views as to the value of Unity Mining, expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Unity Mining shareholders who are in any doubt as to the action that they should take in relation to the Proposed Transaction should consult their own professional adviser.



## **7 Qualifications, Declarations and Consents**

### **7.1 Qualifications**

Sumner Hall is a specialist advisory firm providing corporate advisory services in relation to mergers and acquisitions, divestments, capital raisings, corporate restructuring and financial matters generally. One of its activities is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers, takeovers and capital reconstructions.

The person responsible for preparing this report on behalf of Sumner Hall is Mr Jeff Hall, B.Sc. (Hons), M.Com. (Hons), ACA, AICPA, CFA. Mr Hall is a Director of Sumner Hall and has over twenty five years experience in relevant corporate advisory matters. Mr Hall is the key person of Sumner Hall in relation to its AFS License No. 231214 issued pursuant to section 913B of the Corporations Act.

### **7.2 Independent Technical Specialist's Report**

AMC has been appointed to prepare an independent technical specialist's report. AMC has the appropriate qualifications and experience to prepare the independent technical specialist's report (further details of these qualifications are set out in AMC's report). Sumner Hall has considered and relied upon AMC's report. The approaches that were adopted and the assumptions that were made in arriving at the conclusions that have been reached in AMC's report are considered appropriate for use in Sumner Hall's independent expert's report. A copy of AMC's independent technical specialist's report is included as Annexure A to this report.

### **7.3 Disclaimers**

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Sumner Hall's opinion as to whether the Proposed Transaction is fair and reasonable and in the best interests of Unity Mining shareholders. This opinion relates to Unity Mining shareholders as a whole and it does not take into account the risk profile, personal objectives or financial situation of individual shareholders. Shareholders should consider the appropriateness of this report having regard to their own circumstances before making any decisions in relation to the Proposed Transaction. Shareholders should also consider all other parts of the Explanatory Booklet before making any decisions in relation to the Proposed Transaction. Sumner Hall expressly disclaims any liability to any Unity Mining shareholder who relies or purports to rely on this report for any other purpose and to any other party who relies or purports to rely on this report for any purpose whatsoever.

Sumner Hall has had no involvement in the preparation of the Explanatory Booklet and has not verified or approved any of the contents of the Explanatory Booklet. Sumner Hall does not accept any responsibility for the contents of the Explanatory Booklet except for this independent expert's report.

This report has been prepared by Sumner Hall with care and diligence and the statements and opinions given by Sumner Hall in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Sumner Hall or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Sumner Hall from liability arising from an opinion expressed recklessly or in bad faith.

### **7.4 Independence**

Sumner Hall does not have at the date of this report, and has not had within the previous two years, any shareholding in or other relationship with Unity Mining that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Sumner Hall was not involved in the formulation of the Proposed Transaction. Sumner Hall's only role has been the preparation of this independent expert's report.

Sumner Hall will receive a fixed fee of \$50,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposed Transaction. Sumner Hall's out-of-pocket expenses in relation to the preparation of this report will also be reimbursed. Sumner Hall will not receive any other benefit for the preparation of this report.

Sumner Hall considers itself to be independent in terms of Regulatory Guide 112 published by ASIC.

#### **7.5 Declarations**

An advance draft of this report was provided to Unity Mining and its advisers. Certain changes were made to this report as a result of the circulation of the draft report. No alterations were made to the methodology or conclusions as a result of circulating the draft report.

Unity Mining has agreed that, to the extent permitted by law, it will indemnify Sumner Hall and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity will not apply to the extent that any liability suffered is caused by the negligence, fraud, breach of contract or willful misconduct of Sumner Hall. Unity Mining has also agreed to indemnify Sumner Hall and its employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Sumner Hall or its employees and officers are found to have been negligent, fraudulent, in breach of contract or engaged in willful misconduct then Sumner Hall shall bear the proportion of such costs caused by its actions.

#### **7.6 Financial Services Guide**

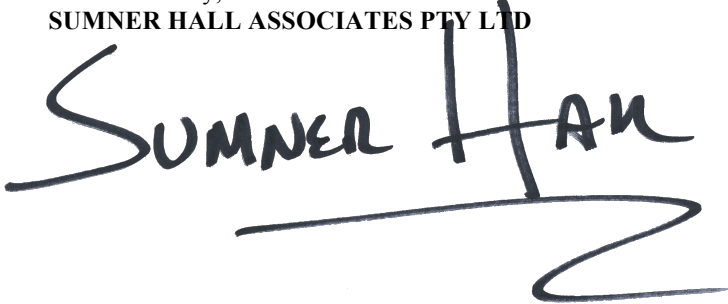
Sumner Hall has prepared a Financial Services Guide in relation to this report. Sumner Hall's Financial Services Guide is included as Annexure C to this report.

#### **7.7 Consents**

Sumner Hall consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Booklet to be sent to shareholders of Unity Mining. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Sumner Hall as to the form and context in which it appears.

Yours faithfully,

**SUMNER HALL ASSOCIATES PTY LTD**

A large, stylized handwritten signature in dark ink. The signature appears to read 'SUMNER HALL' in a cursive, flowing script. The 'S' is very large and loops around the 'U'. The 'H' is tall and thin, and the 'A' is also tall. The signature ends with a long, horizontal stroke that curves upwards at the end.

**Annexure A – Independent Technical Specialist’s Report by AMC Consultants Pty Ltd**

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# Report

## Unity Mining ITSr Unity Mining Limited

AMC Project 315056  
17 February 2016

17 February 2016

Sumner Hall Associates Pty Limited  
48 Darling Point Road  
Darling Point NSW 2027  
AUSTRALIA

Dear Sirs

**Independent Technical Specialist's Report  
Unity Mining Limited**

Unity Mining Limited (Unity Mining) and Diversified Minerals Pty Ltd (Diversified Minerals), a company associated with the PYBAR Group, have executed a Scheme Implementation Agreement to effect the acquisition of 100% of the issued shares of Unity Mining by Diversified Minerals under a Scheme of Arrangement in conjunction with a contemporaneous capital return to Unity Mining shareholders (the Proposed Transaction). Diversified Minerals is currently the largest holder of Unity Mining shares, and has nominated Diversified Minerals Management Pty Ltd to acquire all of the Unity Mining shares on issue that it does not already own.

Sumner Hall Associates Pty Limited (Sumner Hall) has been engaged as Independent Expert by Unity Mining to prepare an Independent Expert's Report<sup>1</sup> (IER) in relation to the Proposed Transaction. AMC Consultants Pty Ltd (AMC) has been engaged by Unity Mining as an Independent Technical Specialist<sup>1</sup> to provide independent technical advice to Sumner Hall in relation to the mineral assets held by Unity Mining. To this end Sumner Hall has instructed AMC to prepare this Independent Technical Specialist's Report<sup>1</sup> (ITS Report) as an appendix to the IER on the following mineral assets (the Mineral Assets):

- The Dargues Gold Mine Project in southern New South Wales (the Dargues Project).
- Unity Mining's mineral assets associated with the Henty Gold Mine in Tasmania (the Henty Assets).
- The Kangaroo Flat gold plant, equipment and facilities, including the mining and exploration tenements held by Unity Mining that are located in the Bendigo area of Victoria (the Bendigo Assets).
- Various exploration tenements in New South Wales held by Unity Mining.

Sumner Hall instructed AMC to review the relevant available data and reports relating to the Mineral Assets and to provide:

- Brief descriptions of the Mineral Assets.
- A production and cost schedule (a Production Case) for the Dargues Project to enable Sumner Hall to develop a financial model for use in valuing the asset using a discounted cash flow (DCF) method.
- A range of values for the Dargues Project mineral assets based on non-income exploration valuation methods, for example; the comparative transaction method.
- Valuations of the other Mineral Assets not included in the Dargues Project, taking into account the cost of the rehabilitation obligations associated with the Henty and the Bendigo Assets.

AMC has undertaken its engagement as an Independent Technical Specialist in accordance with the VALMIN Code<sup>2</sup> to the extent that the code is relevant to AMC's engagement.

For the purposes of preparing this ITS Report, AMC visited the Henty Assets on 13 January 2016, and the Bendigo Assets on 15 January 2016. AMC reviewed material technical reports and management information, and communicated with management staff at both sites.

AMC has not visited the Dargues Project as there are no current mine workings or other relevant activity at the site, and the Ore Reserves, Mineral Resources, and development plans for the project are well documented. AMC is satisfied that sufficient information is available for it to make an informed appraisal of the project without a site visit.

AMC's Production Case for the Dargues Project is based on the life-of-mine model and other information provided by Unity Mining. AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards, and is based on data that AMC considers to be of acceptable quality and reliability. Where this is not the case, AMC has commented to this effect in the ITS Report, and taken account of these matters in determining the Production Case. AMC considers that the Production Case, which has been provided to Sumner Hall in the spreadsheet form, and is described in the body of the ITS Report, is based on reasonable grounds and assumptions.

<sup>1</sup> As defined under Section D10 of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code), 2005.

<sup>2</sup> Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

AMC has used non-income based exploration valuation methods, specifically comparable transactions, multiples of exploration expenditure, and the value of current sales agreements to assign value to Ore Reserves, Mineral Resources and exploration areas comprising the Mineral Assets. AMC has also commented on the likely salvage value of the processing plant and associated facilities at Kangaroo Flat. The valuation methods used are described in the body of the ITS Report.

All monetary figures in this ITS Report are expressed in Australian dollars (\$), unless otherwise noted. Costs are presented on a cash cost basis unless otherwise specified. Production physicals and costs in this ITS Report are presented on a financial year (January to December) basis unless otherwise specified.

Yours faithfully



M Thomas  
MAusIMM (CP), GAICD  
Principal Mining Engineer



P A Smith  
MAusIMM (CP), MAICD  
Director/Principal Mining Engineer

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## 1 Introduction

### 1.1 Background

Unity Mining Limited (Unity Mining or the Company) and Diversified Minerals Pty Ltd (Diversified Minerals), a company associated with the PYBAR Group, have executed a Scheme Implementation Agreement to effect the acquisition of 100% of the issued shares of Unity Mining by Diversified Minerals under a Scheme of Arrangement in conjunction with a contemporaneous capital return to Unity Mining shareholders (the Proposed Transaction).

Sumner Hall Associates Pty Limited (Sumner Hall) has been engaged by Unity Mining to prepare an Independent Expert's Report<sup>3</sup> (IER) in relation to the Proposed Transaction. AMC has been engaged by Unity Mining as an Independent Technical Specialist<sup>1</sup> to provide independent technical advice to Sumner Hall in relation to the mineral assets held by Unity Mining. To this end, Sumner Hall has instructed AMC Consultants Pty Ltd (AMC) to prepare this Independent Technical Specialist's Report<sup>1</sup> (ITS Report) on the following mineral assets (the Mineral Assets):

- The Dargues Project and various exploration tenements in southern New South Wales (NSW).
- Unity Mining's mineral assets associated with the Henty Gold Mine in Tasmania (the Henty Assets).
- The Kangaroo Flat gold plant, equipment and facilities, including the mining and exploration tenements held by Unity Mining that are located in the Bendigo area of Victoria (the Bendigo Assets).
- Various exploration tenements in New South Wales held by Unity Mining.

The general location of the assets is shown in Figure 1.1.

Figure 1.1 General location of Unity Mining's Mineral Assets



Source: Unity Mining

The Dargues Project in southern NSW is a proposed underground gold mine. A feasibility study on developing the mine was completed in December 2010. No mine development has yet taken place apart from construction of an access road and a boxcut, from which it is intended to construct a portal and decline. The material mineral tenements include a mining lease surrounded by two exploration licences. The Company's stated objective for the Dargues Project is to recommence development as soon as practicable.

<sup>3</sup> As defined under Section D10 of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code), 2005.

In addition to the mineral tenements hosting the Dargues Project, Unity Mining holds four relatively small exploration tenements in NSW. No Mineral Resource estimates have been reported on these tenements and AMC is of the opinion that they are not material in the context of the overall value of Unity Mining's Mineral Assets.

The recently-closed Henty Gold Mine in Tasmania is currently under care-and-maintenance, and is the subject of a farm-in exploration arrangement between PYBAR and Unity Mining. In addition to the Henty Gold Mine and the associated mining lease, the assets also include exploration tenements to the north and south of the mine straddling the Henty Fault. An exploration programme is currently being undertaken at Henty, funded by PYBAR and jointly managed by PYBAR and Unity Mining.

The Bendigo Assets include a mining lease, two exploration licences and a gold processing plant together with associated equipment and facilities. The plant was commissioned in 2007 and used to process ore from the now closed Kangaroo Flat gold mine. The mine and processing facilities have been on care-and-maintenance since June 2011. The Company's stated focus is to sell all, or a substantial part of the Bendigo Assets should an appropriate offer be presented by an interested party.

## 1.2 Contents of the ITS Report

This ITS Report provides:

- Brief descriptions of the Mineral Assets.
- A production and cost schedule (a Production Case) for the Dargues Project, to enable Sumner Hall to develop a financial model for use in valuing the asset using a discounted cash flow (DCF) method.
- A range of values for the Dargues Project mineral assets based on non-income exploration valuation methods, for example; the comparative transaction method.
- Provide valuations of the other Mineral Assets that are not included in the Dargues Project, taking into account the cost of the rehabilitation obligations associated with the Henty and the Bendigo Assets.

This ITS Report has been prepared in accordance with the VALMIN Code<sup>4</sup> to the extent that the code is relevant to AMC's engagement. The terms Mineral Resources and Ore Reserves used in this Report are defined in the 2012 JORC Code<sup>5</sup>.

## 1.3 Principal sources of information

AMC has reviewed both public and non-public information provided by Unity Mining for the purpose of preparing this ITS Report. AMC has kept a record of documents used in the preparation of this ITS Report. In making its conclusions, AMC has considered information within its own knowledge and acquired as a result of its investigations, as well as the information provided by Unity Mining.

AMC has not audited the information provided to it, but has aimed to satisfy itself that all of the information has been prepared in accordance with proper industry standards, and is based on data that AMC considers to be of acceptable quality and reliability.

A list of the principal documents is in Section 9.

# 2 Standing of tenements

## 2.1 Mineral tenements

Unity Mining has provided AMC with a tenement report for the material mining leases (ML) and exploration licences (EL), collectively described as mineral tenements, held by Unity Mining in NSW and Tasmania. The tenement report has been prepared by Hetherington Exploration and Mining Title Services Pty Ltd (HEMTS), an independent tenement specialist.

In respect of the mineral tenements comprising the Bendigo Assets, Unity Mining has provided AMC with a solicitors report from an independent tenement specialist, Tenement Administration Services Pty Ltd (TAS).

AMC has reviewed the tenement report prepared by HEMTS and the solicitors report provided by TAS, and has formed the view that there are no material issues in relation to the standing of the material mineral tenements of the Dargues Project, the Henty Assets or the Bendigo Assets. On this basis AMC concludes that the mineral tenements are in good standing.

The following sections provide an overview of the status of the mineral tenements.

<sup>4</sup> Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition, Prepared by The VALMIN Committee, a joint committee of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Mineral industry Consultants Association with the participation of the Australian Securities and Investment Commission, the Australian Stock Exchange Limited, the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector.

<sup>5</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, The JORC Code 2012 Edition, Effective 20 December 2012, Mandatory from 1 December 2013. Prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

### 2.1.1 Dargues Project mineral tenement status

A list of the NSW mineral tenements hosting the Dargues Project is shown in Table 2.1. The tenements are all current, and are held by Big Island Mining Pty Ltd, a wholly-owned subsidiary of Unity Mining.

**Table 2.1** Unity Mining's mineral tenements in NSW

| Tenement | Grant Date    | Expiry Date   | Area     | Annual Rental Fee | Annual Admin Levy | Security Required | Security Held | Expenditure Commitment (pa) |
|----------|---------------|---------------|----------|-------------------|-------------------|-------------------|---------------|-----------------------------|
| EL 6548  | 5 April 2006  | 4 April 2017  | 63 Units | \$3,780           | \$175             | \$70,000 (joint)  | \$70,000      | \$93,000                    |
| EL 8372  | 20 May 2015   | 20 May 2018   | 83 Units | \$4,980           | \$175             | \$70,000 (joint)  | \$70,000      | \$61,500                    |
| ML 1675  | 12 April 2012 | 12 April 2024 | 317 ha   | \$2,060.50        | \$7,300           | \$730,000         | \$730,000     | \$227,500                   |

Source: Hetherington Exploration & Mining Title Services Pty Ltd, 15 January 2016.

### 2.1.2 Henty Assets mineral tenement status

A summary of the Tasmanian mineral tenements hosting the Henty Assets is shown in Table 2.2. The tenements are held by Unity Mining and are all current with the exception of EL8/2009 where the renewal is pending.

**Table 2.2** Unity Mining's mineral tenements in Tasmania

| Tenement   | Grant Date  | Expiry Date | Issued Areas       | Area               | Annual Rental Fee | Security Required | Security Held | Expenditure Commitment (pa) |
|------------|-------------|-------------|--------------------|--------------------|-------------------|-------------------|---------------|-----------------------------|
| EL 28/2001 | 19 Jun 2002 | 10 May 2016 | 8 km <sup>2</sup>  | 10 km <sup>2</sup> | \$548.10          | \$15,000          | \$15,000      | \$374,000                   |
| EL 8/2009  | 16 Nov 2009 | 15 Nov 2015 | 11 km <sup>2</sup> | 11 km <sup>2</sup> | \$602.91          | \$8,000           | \$8,000       | \$135,000                   |
| EL 11/2010 | 13 Sep 2010 | 12 Sep 2016 | 73 km <sup>2</sup> | 73 km <sup>2</sup> | \$4,001.13        | \$8,000           | \$8,000       | \$148,000                   |
| EL 13/2011 | 5 Oct 2011  | 4 Oct 2016  | 23 km <sup>2</sup> | 23 km <sup>2</sup> | \$1,260.63        | \$7,000           | \$7,000       | \$23,000                    |
| 7M/1991    | 5 Jun 1991  | 1 Jun 2022  | 1457 ha            | 1457 ha            | \$33,277.88       | \$2,500           | \$2,500,000   | N/A                         |
| 5M/2002    | 16 Oct 2003 | 1 Jun 2022  | 510 ha             | 510 ha             | \$11,648.40       | \$2,500           | \$2,500,000   | N/A                         |
| *7M/2006   | 7 Nov 2007  | 1 June 2022 | 133 ha             | 133 ha             | \$3,037.61        | –                 | \$1,150,000   | N/A                         |

Source: Hetherington Exploration & Mining Title Services Pty Ltd, 15 January 2016.

Note: ML 7M/2006 is an easement granted for the purpose of tailings storage

### 2.1.3 Bendigo Assets mineral tenement status

A summary of the Victorian mineral tenements hosting the Bendigo Assets is shown in Table 2.3. The tenements are held by Unity Mining and are all current. A total of \$5,658,000 is held as security for environmental rehabilitation commitments associated with the Bendigo mineral tenements held by Unity Mining.

**Table 2.3** Unity Mining's mineral tenements in Victoria

| Tenement | Name          | Grant Date  | Expiry Date              | Area                   | Annual Rental Fee | Expenditure Commitment 2015/2016 | Total Expenditure Reported to Date (% of 2015/2016 Commitment) |
|----------|---------------|-------------|--------------------------|------------------------|-------------------|----------------------------------|--|
| MIN5344  | New Bendigo   | 10 Aug 1987 | 9 Aug 2017               | 4275.4 ha              | \$80,379          | \$3,850,000                      | 693%   |
| MIN5364  | Woodvale      | 16 Nov 1989 | 16 Aug 2017              | 173.9 ha               | \$3,269.32        | \$0                              | 0%   |
| MIN4878  | Whip & Jersey | 4 Dec 1979  | 10 Aug 2017              | 3.9 ha                 | \$73.70           | \$15,000                         | 1,012%   |
| EL3327   | Bendigo       | 16 Sep 1982 | 16 Sep 2015 <sup>A</sup> | 455 GRATS <sup>B</sup> | \$0               | \$470,000                        | 1,062%   |
| EL5035   | West Bendigo  | 6 June 2007 | 5 June 2017              | 57 GRATS <sup>B</sup>  | \$0               | \$43,500                         | 137%   |

Source: Tenement Administration Services (TAS), 26 January 2016.

Notes:

A: Renewal pending

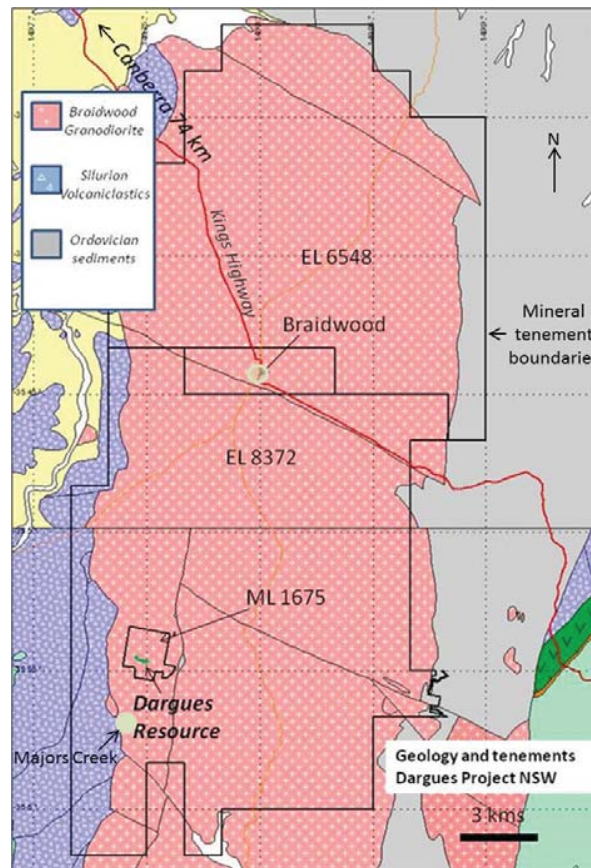
B: A unit of measurement equivalent to approximately 1 km<sup>2</sup>.

## 3 The Dargues Project

### 3.1 Location and background

The Dargues Project is located in the southern tablelands of NSW, approximately 60 km south-east of Canberra, 13 km south of the town of Braidwood, and immediately north of the village of Majors Creek (Figure 3.1).

Figure 3.1 Location plan and regional geology of the Dargues Project tenements



Source: Majors Creek Project Annual Report 2012

The Dargues Project orebody was originally discovered in the early 1870s. Underground mining and development of a small open cut occurred between 1870 and 1891. The mine was in production again between 1914 and 1916.

Modern exploration commenced in the 1980s when Canyon Resources and Horizon Pacific conducted surface and underground drilling.

In 2002, Braeside Australia Limited was granted EL6003 over the Dargues deposit. Braeside transferred the licence to its subsidiary, Hibernia Gold Pty Limited, which subsequently became Moly Mines Limited.

In 2007, Cortona Resources Limited (Cortona) acquired the project, along with five other NSW gold prospects, from Moly Mines Limited for the consideration of a Stage 1 payment of \$5 million, 12 million Cortona shares valued at \$0.20 per share at the deeming date, 8 million options exercisable at \$0.35 each, and a Stage 2 royalty of cash and options contingent on future resource definition or a decision to mine. The outstanding royalty arrangement with Moly Mines Limited was finalised by transferring ownership of shares with a total value of \$2.676 million to Moly Mines Limited in 2014.

From 2007 to 2010, Cortona drilled 186 reverse circulation and diamond core holes to define the Dargues lodes.

In 2010, Cortona reported a Mineral Resource estimate for the Dargues Project. Cortona also completed a Definitive Feasibility Study (the 2010 Feasibility Study). From 2010 to 2013, Cortona obtained various approvals to mine and drilled over 100 additional holes at Dargues Projects and adjacent prospects.

In January 2013, Cortona merged with Unity Mining, and ownership of the Dargues Project passed to Unity Mining. The merger was by way of an all scrip consideration of 0.734 Unity Mining shares per one Cortona share. Prior to the announcement of the merger, the share price of Unity Mining was \$0.13 per share (as at 27 September 2012), and 268,048,097 Cortona shares were on issue, indicating an offer equivalent to approximately \$25.6 million.

In February 2013, pre-construction earthworks commenced with a \$6.6 million package of work awarded for the construction of a 3.2 km-long site access road, development of the access box cut, and construction of a the run-of-mine (ROM) pad and the tailings storage facility (TSF).

In December 2013 the pre-construction earthworks were suspended, and the site was placed on care-and-maintenance. Prior to the suspension, the box cut, ROM pad, and access road had been completed, while work on the TSF had not commenced. Unity Mining has advised that the suspension of work on the project was triggered by the difficult funding conditions at the time, and a desire to determine the optimal ore processing route for the project.



In December 2015, Unity Mining announced that it had entered into a binding heads of agreement with Westtime Pty Ltd (Westtime), and had secured the option to process up to 50,000 tpa of gold/silver concentrate at an existing processing facility in Parkes, NSW, approximately 380 km by road from the Dargues Project. The facility was described by Unity Mining as largely fit-for-purpose and well suited for the processing of concentrate from the Dargues Project.

### 3.2 Dargues Project Mineral Resource

Unity Mining has publically reported a Mineral Resource for the Dargues Project as at 30 June 2015. The estimate includes the Ore Reserve (i.e. the Ore Reserve is a subset of the Mineral Resource) and is reproduced in Table 3.1.

**Table 3.1 Dargues Project Mineral Resource estimate at 30 June 2015**

|                 | Measured |          |     | Indicated |          |     | Inferred |          |     | Total |          |     |
|-----------------|----------|----------|-----|-----------|----------|-----|----------|----------|-----|-------|----------|-----|
|                 | kt       | g/t gold | koz | kt        | g/t gold | koz | kt       | g/t gold | koz | kt    | g/t gold | koz |
| Dargues Project | 378      | 7.2      | 88  | 818       | 6.8      | 179 | 420      | 4.5      | 61  | 1,616 | 6.3      | 327 |

Source: Unity Mining 2015 Annual Report

### 3.3 Geology and mineralisation

#### 3.3.1 Regional geology

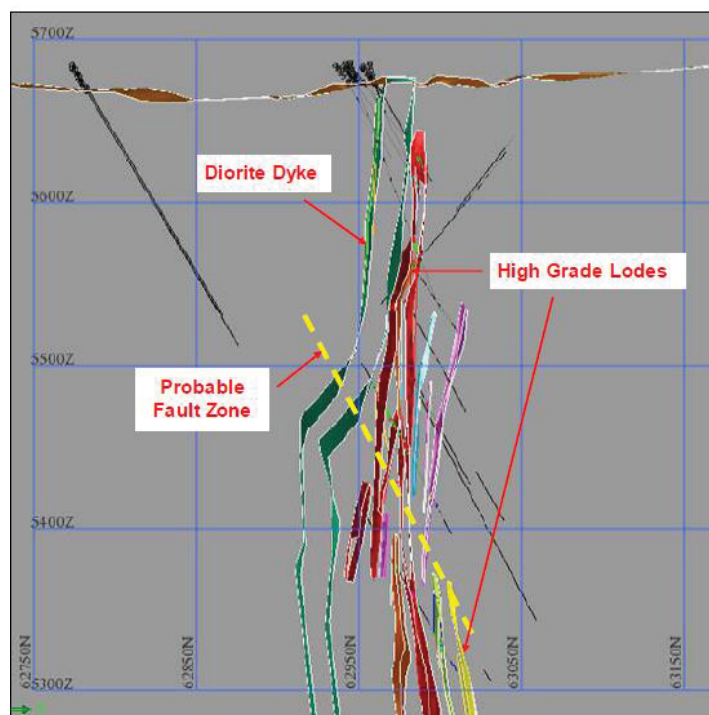
The Dargues Project covers the Early Devonian Braidwood Granodiorite, in the Eastern Lachlan Fold Belt. The Lachlan Fold Belt traverses eastern Australia from Tasmania to Queensland. It is a composite orogenic belt, which has been subjected to four episodes of folding, strong compression, and uplift from the Late Ordovician period to the Carboniferous period (Gordon, 2006). The Lachlan Fold Belt is host to a variety of gold and base metal deposits.

#### 3.3.2 Local geology

The Braidwood Granodiorite intrudes the Silurian Long Flat Volcanics to the west, and Ordovician sediments to the east. Cutting the Braidwood Granodiorite are numerous major structures trending ESE and SE which are clearly visible on regional aeromagnetic images of the area. Drainage features follow many of these linear structures. Significant placer gold mineralisation occurs in the sediments deposited in these drainage systems, and was exploited in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries by sluicing and dredging. The combined Jembaicumbene, Shoalhaven and Araluen alluvial operations are reported to have been the largest historical alluvial goldfield in NSW, with production of 1.25 Moz of gold.

The Dargues deposit occurs close to the regional watershed, and is inferred to have been a major source of the alluvial gold. Mineralisation at the Dargues deposit occurs as a number of discrete, fracture-controlled, sulphidic lodes situated within intense zones of phyllic alteration (silica-chlorite and lesser epidote and sericite) within the Braidwood Granodiorite. The lodes are steeply-dipping (80°-90°) and have a variable strike from E-W to ENE-WSW (Figure 3.2). The main zones of mineralisation occur on the northern side of, and parallel to, a diorite dyke which also contains some minor mineralisation. The lodes and dyke appear to be disrupted by an interpreted fault (or sets of faults).

**Figure 3.2 Dargues deposit cross section looking west**

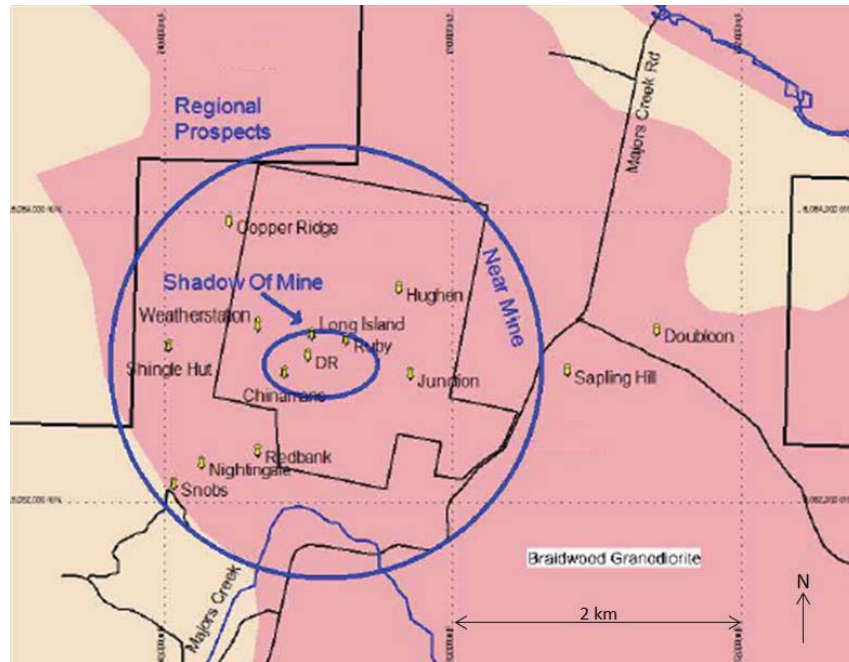


Source: Report on Mineral Resource Estimate Dargues Reef Gold Deposit New South Wales by Runge Limited

The Dargues Project underground mine was mined between 1870 and 1891, and again between 1914 and 1916 by numerous shafts to a maximum depth of 70 m. Minor shallow open-cut mining was carried out. Gold production between 1877 and 1916 is reported as 2,016 oz at 14 g/t Au.

There are numerous other small mines, shafts, and occurrences of primary gold mineralisation within the southern portion of the Braidwood Granodiorite, occurring in mostly E, NE and ESE trending sub-vertical quartz reefs (Figure 3.3). The unaltered granodiorite is a light-coloured, equigranular granodiorite containing plagioclase, potassium-feldspar, quartz, hornblende, minor chlorite-altered biotite, and accessory magnetite, apatite, sphene, zircon, and trace pyrite.

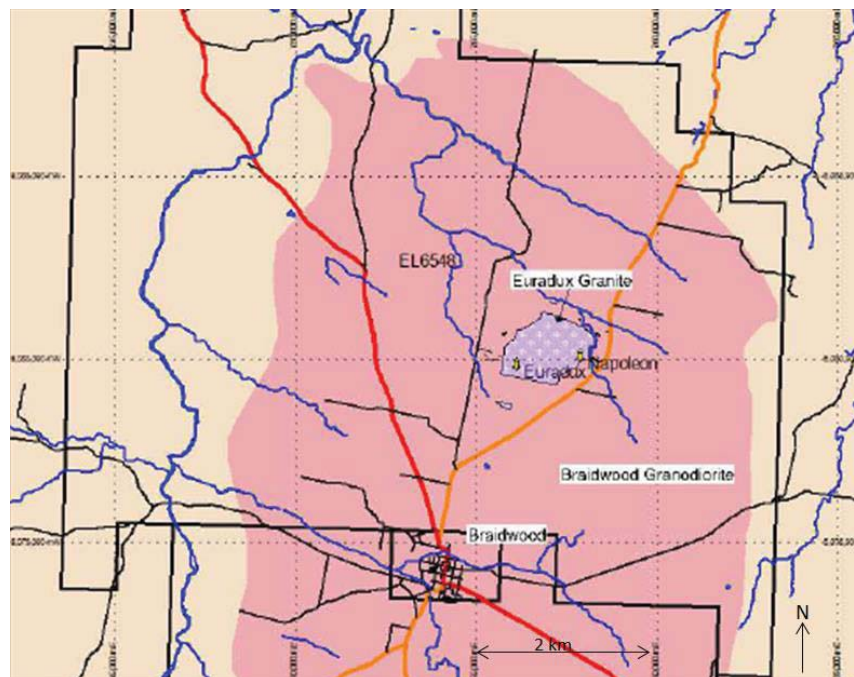
Figure 3.3 Plan showing Dargues Project site and some of the nearby gold prospects



Source: Majors Creek Project Annual Report 2014

The northern part of the Dargues Project covers the Braidwood Granodiorite north of the town of Braidwood. There is little recorded gold mineralisation in this part of the granodiorite, and exploration activity here has focussed on geochemical anomalies around the small Eurodux Granite, which intrudes the granodiorite (Figure 3.4).

Figure 3.4 Plan showing the Eurodux Granite within the Braidwood Granodiorite



Source: Majors Creek Project Annual Report 2012

### 3.4 Mineral database

#### 3.4.1 Sample types

The Dargues lodes have been tested with reverse circulation (RC) and diamond core holes and some RC holes with diamond tails. Holes drilled before 1980 were not used for Mineral Resource estimation because their results were inconsistent with the more recent, well-controlled, drillhole programmes. 16 holes drilled in the 1980s appeared compatible with the recent drilling, and were used for Mineral Resource estimation. As they represent less than 5% of the drilled metres, they present little risk to the global Mineral Resource estimate.

Drillhole data collected by Moly Mines Limited and Cortona comprises the majority of the database. Drill core was of an adequate size (NQ2: 50.6 mm). Core recovery is not recorded in the database, but is reported to have been satisfactory.

RC drillholes used a standard approach of 4 7/8 inch face-sampling hammer bits, with samples collected over 1 m intervals via a cyclone. Sample quality was reported to be excellent, with only rare wet samples being obtained. Where water could not be kept out of the hole, the hole was abandoned.

The collar positions of all recent drillholes and some of the old drillholes were surveyed by an independent surveying contractor. The majority of drillholes have been surveyed downhole using appropriate downhole cameras or gyroscopic tools.

All holes were geologically logged. All logging, surveying, and sampling data are stored in an electronic database.

#### 3.4.2 Sample preparation, analyses, and security

For the first 95 holes in this recent programme, samples were collected by spearing the 1 m sample bags. In AMC's opinion, this method is a poor choice and will have introduced greater variability into the assay values, but it will not necessarily produce biased results. From Hole DREX096 onwards, the 1 m sample bags have been sampled by riffle splitting with a one-eighth increment sent to the laboratory for analysis. Diamond core was sawn in half.

Samples collected by Moly Mines Limited and Cortona were generally prepared and analysed by ALS Chemex at their laboratory in Orange, NSW. Samples were crushed and pulverised to 85% passing 75 µm, which is normal industry practice and appropriate. Samples were analysed by fire assay using a 50 g charge. Other elements, such as silver and copper, etc. were analysed by ICP-AES.

A formal chain-of-custody procedure for sample management does not appear to have been used. In AMC's opinion this is not unusual, and due to the succession of operators of the project, does not appear to pose a significant risk to the Mineral Resource estimate.

#### 3.4.3 Quality assurance quality control (QAQC)

Certified reference materials (CRMs or "standards"), duplicates and blanks were used to monitor the performance of the laboratories. The CRMs show inconsistent behaviour (some biased slightly high, others biased slightly low), but with no clear evidence of overall bias. The field duplicate samples show significant variability, as would be expected from samples containing a significant proportion of coarse gold. The variability may have been exacerbated by the use of sampling spears. The blank sample results show no significant evidence of contamination from one sample to the next.

Cortona conducted a single programme of independent check analysis by a second independent laboratory, and had 96 samples from Holes DRE170 – DRE176 assayed at Genalysis in Perth. Unity reports that at grades less than 0.5 g/t gold, the duplicate analyses from Genalysis were slightly higher, on average, than the original assays.

Quality control results were not available for samples obtained prior to 2004 (less than 5% of the data).

AMC concludes that sampling and assaying procedures followed normal industry practice, and were generally satisfactory.

There appear to have been no QAQC protocols in place for the silver analyses. Silver content is generally low, and at levels that are close to the effective detection limit of ICP analysis. AMC believes that there is insufficient support for the Ag values, and they should not be reported in the Mineral Resource.

#### 3.4.4 Bulk density

The ore and waste rocks at the Dargues Project are variably-altered igneous rocks that show no evidence of development of secondary porosity, or low-density alteration minerals such as clays. Bulk density was measured on core samples using a water immersion technique. A total of 1,504 samples were measured. Density values generally range from 2.6 to 2.8 t/m<sup>3</sup>, which are consistent with the logged rock types. There appears to be no relationship between bulk density and gold grade. Average density values were applied for each of the main rock types (fresh ore, fresh waste, fresh mineralised diorite, transitional material) to the resource model.



### 3.5 Dargues Project Mineral Resources

#### 3.5.1 Lode structures

30 individual mineralised lenses were interpreted from the drillhole assay data using a 1 g/t gold cut-off grade, and a minimum downhole length of 1 m. Up to 4 m of internal waste was included. Resource outlines are reported to have generally been extrapolated halfway to adjacent holes, or 20 m along strike; however, some of the Inferred Resources appear to have been projected up to 100 m. The sectional interpretations were linked together to create 3D wireframe models of the lodes.

The Main Lode (Lode #8) is the largest mineralised body, making up 65% of the resource volume. This is followed by the Bonanza Lode (Lode #15), and Plums Lode (Lode #1). These three comprise 80% of the resource tonnage. The remaining 27 lenses are of much smaller extent, and average approximately 14,000 t per lode. The lodes are vertical or steeply-dipping, and exhibit sharp changes in thickness and grade along strike and down dip.

There is only a weak, shallow weathering profile.

The wireframe models were filled with blocks with dimensions of 10 m (easting) by 4 m (northing) by 10 m (RL). Subcells were used to provide resolution of the lode shapes.

#### 3.5.2 Resource estimation method

Samples were composited to 1 m. The statistical distribution of the sample grades was examined. Gold grades are strongly skewed, and extreme grades were cut to avoid overestimation in the resource model. Composite grades in the Bonanza Lode were cut to 100 g/t (about 4% of the data), and in the other lodes grades were cut to 50 g/t (less than 1% of the data). Neither choice seems particularly well-supported by data or analysis. In AMC's view, there is a risk of overestimation of gold grade in the smaller lodes that have few samples.

A variography study was carried out to characterise the spatial controls on gold grades. Some of the variograms that were reported are poorly-structured. Others appear influenced by large-scale trends in the data. In AMC's opinion, the short-range variance may be underestimated, and hence the block grades may be under-smoothed.

The variogram models were used as input to ordinary kriging of the gold grades in the block model. The sample search ellipses were not oriented parallel to the major axes of continuity modelled by the variograms. As a consequence, AMC believes that some of the local grade estimation will not be optimal.

The search volume was designed as a flattened circular ellipse, with the short axis (across the lodes) one-eighth to one-tenth of the search radius. A three-pass search strategy of 50 m followed by 100 m then 250 m was employed. Approximately 92% of blocks were filled on the first-pass search and less than 1% on the third-pass search. Since the lodes are not perfectly planar, but have variable strike and dip, it is AMC's opinion that there is a risk that the use of a strongly flattened ellipse will be sub-optimal in some locations.

#### 3.5.3 Mineral Resource model validation

As part of the resource estimation process, a series of swath plots, comparing block and composite grades by easting and elevation bands (swaths), was used to validate the resource model. At higher elevations and in the west, the plots show close agreement between average block grades and average composite grades. Elsewhere the sparser drillhole data results in larger variances between block and composite grades, as expected.

#### 3.5.4 Mineral Resource classification

The Mineral Resources were classified in each individual lode. The parts of the lodes where continuity of grade and thickness was interpreted to be strong and drillholes were generally spaced less than 20 m or 30 m apart, were classified as Measured Resources. The rest of the Main Lode and Bonanza Lodes, the upper part of Plum Lode, and many of the smaller lodes were classified as Indicated Resources. The remainder were classified as Inferred Resources.

In AMC's opinion, the classification scheme pays insufficient regard to the small size and short strike length of many of the lodes. In any orebody, the limits of mineralisation are always a source of uncertainty. As the volume of the mineralised body decreases, so the proportion of mineralisation near the edges of the body increases. This is not adequately reflected in the current resource classification. This problem is illustrated by Plum Lode, which generally has a strike length less than 50 m. Over most of its depth extent the strike length is poorly defined, and therefore the margin for error in estimating the tonnage of ore is likely to be large.

In AMC's view the Mineral Resource has been prepared and reported in accordance with the JORC Code, however AMC is of the view that classification of the resources is somewhat optimistic.

### 3.6 Mining

#### 3.6.1 Mine design and scheduling

The 2010 Feasibility Study was undertaken by a mining consulting company, Mining Plus Pty Ltd (Mining Plus), commissioned by Cortona. The study concluded that an underground mine would be technically and financially viable. A

number of studies have subsequently been commissioned by Unity Mining to refine aspects of the mine design, the most recent by Mining One Pty Ltd in October 2015.

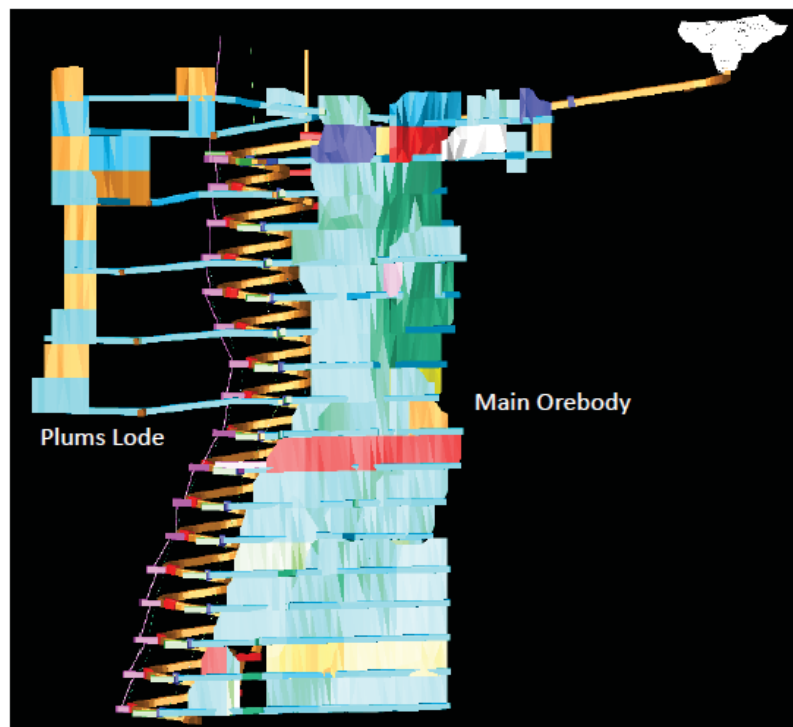
The 2010 Feasibility Study envisaged a mechanised underground mining operation, using sub-level open stoping with pastefill. Mining was sequenced to occur using a top-down underhand longhole stoping method. Ore and waste was to be trucked to surface via a haulage decline to surface. Ore will be placed on a ROM ore pad with a capacity of approximately 9,000 t located adjacent to the mill. The area will be used for the ore storage and blending prior to processing.

It is intended that waste rock from mine development will be used, where possible, for the construction of roads and other surface facilities, including the TSF. A portion of the waste rock generated will also be used as stope backfill. Surplus waste rock will be placed in a waste rock dump.

Subsequent refinement studies identified a number of opportunities to vary the mine design, including delaying extraction of the low-grade Plum lode, and changing the mining method to a bottom-up, longhole open stoping method using various backfilling methods, including cemented hydraulic fill and rock fill in selected areas.

The mine is designed to extend to a depth of approximately 450 m below surface, and stoping extends over a vertical extent of approximately 425 m. The mine design is shown in Figure 3.5.

**Figure 3.5** Dargues Project mine design looking south



Source: Mining One Pty Ltd, 2015.

Nominal ore production is planned at 0.33 Mtpa, which is matched to the planned processing plant capacity. One year of pre-production activities and five years of production are scheduled. The current schedule envisaged by Unity Mining is based on the scheduling assumptions used in the 2010 Feasibility Study. The schedule envisages an average rate of vertical advance of the stoping areas of 85 vertical metres per annum. AMC considers this vertical advance rate to be overly optimistic based on industry benchmarks. The achievement of 60 vertical metres per annum is usually regarded as very good performance for mines of the style, and using the methods proposed for the Dargues Project.

### 3.6.2 Geotechnical conditions

Geotechnical rock mass conditions in the decline and main infrastructure development will for the most part be located in granodiorite, and good ground conditions are expected. Access from the decline to the stope sublevels will need to pass through a dyke on the footwall side of the deposit. Poor ground, which will require intense ground support, is expected in these areas.

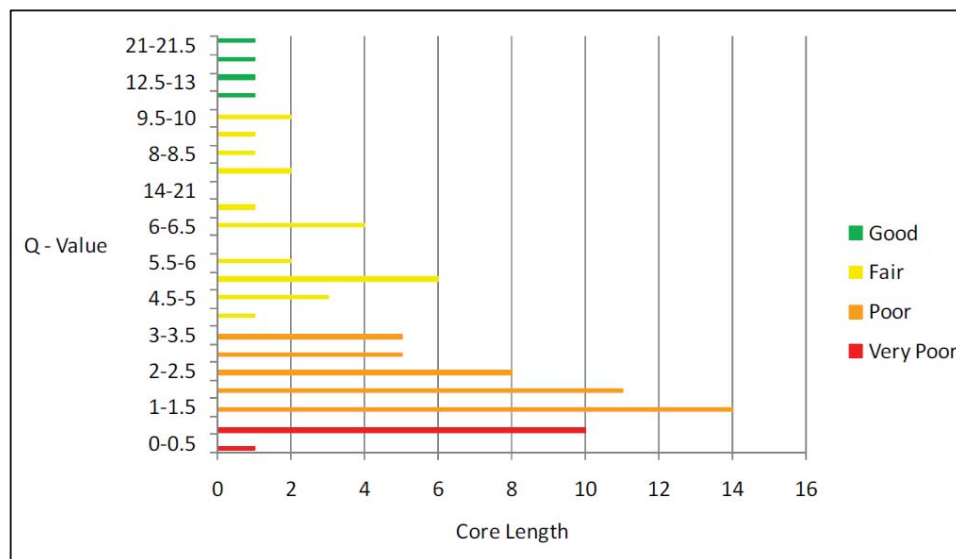
Geotechnical rock characterisation for the stoping zones used the Q-system<sup>6</sup> of rock mass classification and standard stability graphs to derive hydraulic radii (a parameter relating to maximum stable stope excavation spans). The analysis indicated that the footwall is generally a less competent rock mass than either the orebody or the hangingwall.

The geotechnical report estimated that 38% of the stopes will be located in poor rock mass, 50% in fair rock mass, and only 13% in good rock mass. Geotechnical recommendations were that stope spans should not exceed 40 m, and designs should be varied to suit local conditions. In AMC's opinion, the high prevalence of low Q values indicates that significant sloughing and dilution can be expected in some areas.

Additionally, the geotechnical analysis found that significant wedge failures are possible from both the footwall and hangingwall, due to unfavourably orientated steeply-dipping joints and faults. The distribution of Q values of the rock mass surrounding stopes is shown in Figure 3.6.

Hydro-geological conditions are expected to be benign.

**Figure 3.6** Q values of the rock mass surrounding stopes



Source: Geohart Consultants Pty Ltd Report No: GH043\_R

### 3.6.3 Dargues Project Ore Reserve

Unity Mining publically reported an Ore Reserve estimate for the Dargues Project as at 30 June 2015. The estimate is reproduced in Table 3.2.

**Table 3.2** Dargues Project Ore Reserve estimate at 30 June 2015

|                 | Proved |          |     | Probable |          |     | Total |          |     |
|-----------------|--------|----------|-----|----------|----------|-----|-------|----------|-----|
|                 | kt     | g/t gold | koz | kt       | g/t gold | koz | kt    | g/t gold | koz |
| Dargues Project | 476    | 5.3      | 81  | 913      | 5.2      | 152 | 1,389 | 5.2      | 233 |

Source: Unity Mining 2015 Annual Report

A cut-off grade of 3 g/t gold for stoping and 1 g/t gold for development has been used to estimate the Ore Reserve for the Dargues Project. A gold price of \$1,450 per ounce was assumed.

Modifying factors used in estimating the Ore Reserve, included application of a minimum mining width of 2 m, the addition of 10% dilution (with an assumed dilution grade of 0.1 g/t gold and 0.1 g/t silver) to all stopes, and mining recovery of 95% of the diluted stope tonnage.

AMC considers that the approach to cut-off grades adopted in the 2010 Feasibility Study was cursory, but adequate to support the estimate of an ore reserve. The application of a minimum mining width to all stopes is appropriate. All Measured Mineral Resources were converted to Proved Ore Reserves, all Indicated Mineral Resources were converted to Probable Ore Reserves, and all Inferred Resources were excluded from the Ore Reserve estimate.

In AMC's opinion (notwithstanding the concerns raised regarding the somewhat optimistic classification of the Mineral Resource estimate), the preparation, classification and reporting of the Dargues Project Ore Reserve by Unity Mining complies with the JORC Code. However, AMC considers that the dilution estimate of 10% of the stope design tonnage is

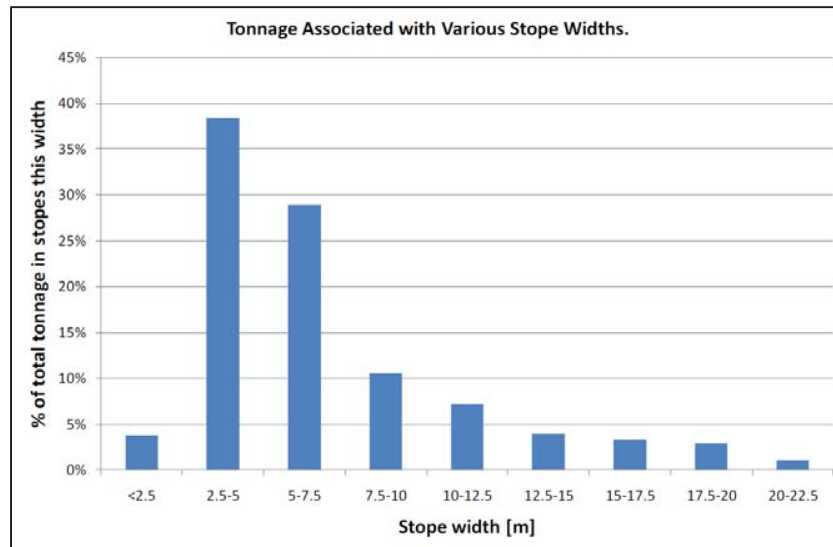
<sup>6</sup> After Grimstad and Barton 1993

likely to be exceeded even in good ground conditions. Dilution by backfill fall-off from the slope was not discussed in the 2010 Feasibility Study, and does not appear to have been included in the Ore Reserve estimate.

AMC considers that the Ore Reserve estimate probably underestimates average dilution, and that an allowance of 18%, rather than 10%, is more reasonable. In arriving at this higher number, AMC considered a number of matters including:

- The distribution of tonnage by slope width (Figure 3.7).
- The 2010 Feasibility Study estimates for dilution in poor and fair ground conditions.
- AMC's own estimate of dilution in good ground conditions.
- Making modest allowance for dilution by backfill.

Figure 3.7 2010 Feasibility Study distribution of tonnage by slope width



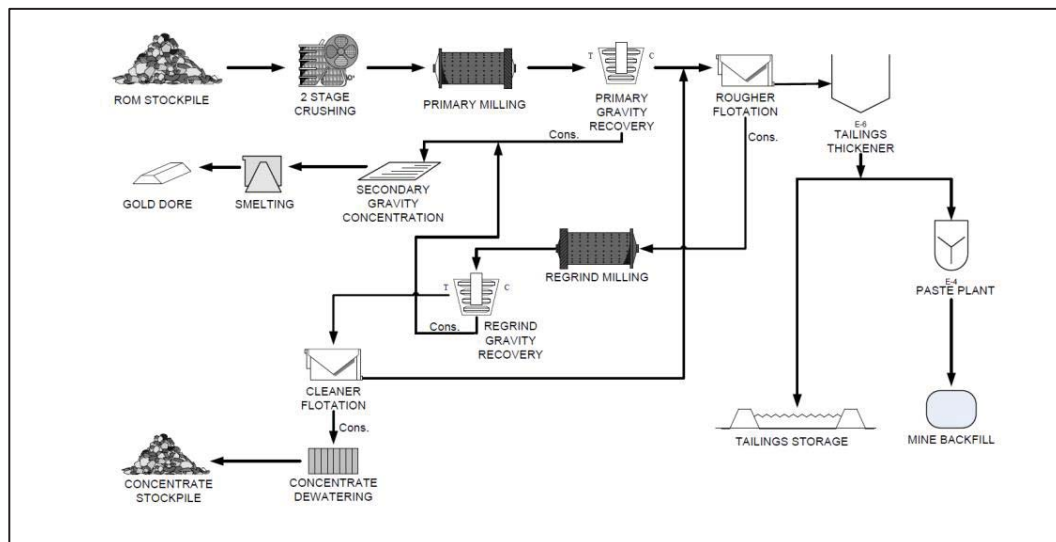
### 3.7 Metallurgy and processing

The 2010 Feasibility Study proposed that ore would be processed on-site to produce gold doré from a gravity-gold recovery circuit. A gold-rich sulphide concentrate would also be produced using a flotation circuit. The flotation concentrate would be processed off-site using a carbon-in-leach (CIL) processing circuit.

Following the suspension of pre-construction work in December 2013, Unity Mining investigated the potential for processing the gold-rich sulphide concentrate using a CIL process plant constructed on-site. Community objections to the use of sodium cyanide (NaCN), a necessary requirement of the CIL process, have resulted in Unity Mining reverting to processing the flotation concentrate off-site as originally envisaged in the 2010 Feasibility Study.

The ore processing conceptual flowsheet proposed in the 2010 Feasibility Study is shown in Figure 3.8.

Figure 3.8 2010 Feasibility Study conceptual flowsheet for Dargues Project



Source: Dargues Reef Gold Mine Definitive Feasibility Study 20/12/2010

### 3.7.1 Metallurgical testwork

The currently proposed flowsheet is based on a reasonably-comprehensive metallurgical testwork programme conducted by Ammtec Ltd, with the work programme directed by Independent Metallurgical Operations Pty Ltd on behalf of Cortona Resources. The work was conducted in three stages.

Stage 1 testwork was designed to provide a general response of samples from the Dargues deposit to metallurgical testwork. The testwork typically comprised compositing, gravity separation, cyanide leaching, and flotation.

Stage 2 testwork was designed to define a flowsheet suitable for the project. Testing was completed on HQ (93.5 mm diameter) core from a single hole, and ranging in depth from 72.39 m to 96.10 m. The testwork process steps were as for Stage 1, but also included comminution testwork.

Stage 3 testwork was designed to confirm the response of the preferred flowsheet on a bulk composite, and to test the variability of the samples taken from the deposit. Testing was completed on HQ core.

One of the objectives of the Stage 3 testwork was to confirm the viability of the flowsheet developed during Stage 2. The testwork confirmed that the flowsheet should result in excellent gold and good silver recoveries. Key findings of the Stage 3 testwork programme were:

- Significant amounts of gravity gold could be recovered, with over 52% gold recovery at 250 µm and over 46% recovery at 212 µm.
- Excellent (>99%) gold recoveries were achieved with both a whole of ore flotation and gravity separation/flotation tests. The flotation rougher concentrate from the gravity separation/flotation demonstrated amenability to cyanide leaching.
- A significant amount of gold is able to be recovered from a secondary gravity separation on the rougher concentrate following a regrind.
- Comminution testwork revealed a competent, medium-strength orebody with moderate-to-hard abrasion and grinding characteristics.
- Bulk testwork undertaken on a primary gravity/rougher flotation circuit at a P80 of 212 µm, and a secondary gravity/cleaner flotation circuit at a P80 of 75 µm, resulted in gravity gold recovery of 25.2%, flotation gold recovery of 72.1%, and a total gold recovery of 97.3%. Gravity recovery was lower due to a higher mass of sample being given a single pass through a Knelson Concentrator, with this also lowering total gold recovery.
- 95% gold recovery can be expected from the cleaner concentrate in a standard cyanide leach test using 5,000 ppm NaCN.
- The samples tested exhibited significant variability in gold grade, gravity gold recovery and total gold recovery. This may result in some variability during operations and will require ongoing monitoring by the mill management team.

### 3.7.2 Process design criteria

Based on the variability and bulk composite testwork results, the process design criteria shown in Table 3.3 were developed.

**Table 3.3** Summary of main process design criteria

| Criteria                                 | Unit | Value   |
|--|------|---------|
| Annual mill throughput rate              | tpa  | 330,000 |
| Average gold grade                       | g/t  | 5.00    |
| Average silver grade                     | g/t  | 1.99    |
| Average sulphur grade                    | %    | 6.5     |
| Annual mill feed gold (average)          | kg/a | 1,649   |
| Flotation gold recovery (of feed)        | %    | 46      |
| Gravity gold recovery (of feed) - total  | %    | 52.3    |
| Overall gold recovery                    | %    | 98.3    |
| Total gold production - average          | kg/a | 1,621   |
| Crushing circuit average throughput      | tph  | 90      |
| Crushing circuit annual operating hours  | h    | 3,650   |
| Crushing circuit average availability    | %    | 41.7    |
| Design mill throughput rate              | tph  | 42.0    |
| Grinding circuit annual operating hours  | h    | 7,850   |
| Grinding circuit average availability    | %    | 89.6    |
| Primary product size (p80)               | µm   | 212     |
| Regrind product size (p80)               | µm   | 75      |
| Design concentrate production rate (dry) | tpa  | 45,625  |

In AMC's opinion, the process design criteria are consistent with the testwork results, and that generally the design was reasonably conservative; although the design capacity of the flotation cleaner circuit may be less than required when the

rougher concentrate mass pull increases to more than the design value of 15.5%. As this occurred during only one of the variability tests, it is not expected to present major issues, as blending of the ore should alleviate the issue should it arise.

The design capacity of the tailings thickener is considered potentially marginal for some of the ore samples tested, with the thickener capacity specified as 36 tph dry solids. A simplified mass balance of the testwork data shows that at low rougher concentrate mass pull, total tails produced could be as high as 41 tph. Usually the design allowance for a thickener would allow solids mass flow to occasionally exceed design, however, it is uncertain if an excess of 14% would be problematic.

### 3.7.3 Process flowsheet

The proposed process flowsheet includes the following processes and facilities:

- ROM pad and ROM ore feed bin
- Two-stage crushing and screening
- Crushed ore storage
- Primary and regrind grinding and classification
- Primary and regrind gravity gold recovery
- Sulphide rougher and cleaner flotation
- Concentrate thickening, filtration and handling
- Tailings paste thickening, paste backfill, and tailings disposal to a TSF
- Reagents preparation and storage
- Water and air services

### 3.7.4 Off-site cyanide leaching

Unity Mining has signed a heads of agreement with Westtime that purchased the previously BHP Billiton owned London-Victoria Gold Mine and processing plant near Parkes in NSW. The plant has not been in operation since 1995. Unity Mining envisages refurbishing the concentrate leaching and associated components of the processing plant, then transporting the gold-rich concentrate from the Dargues Project to Parkes for processing to gold bullion, using a cyanide leaching process. Little information is currently available on the condition of the plant; however, Unity Mining envisages that \$6.8 million will be required to refurbish the concentrate leach plant and associated facilities. In AMC's opinion this amount should be sufficient to establish an operation of the scale required to process the approximately 25,000 t of concentrate per year produced from the Dargues concentrator.

Under the terms of the heads of agreement, Unity Mining has paid \$200,000 to Westtime for the exclusive option to process concentrate from the Dargues Project, and is required to pay an additional \$150,000 upon receipt by Unity Mining of all final approvals at the Dargues Project. Unity Mining will operate and have management control of the plant, and will pay an annual site rental of \$2.0 million to Westtime for use of the facility.

The offsite concentrate processing arrangement is subject to Unity Mining committing to a final "Decision to Proceed" by no later than 30 June 2016 (or such later date as may be reasonably agreed between Unity Mining and Westtime) following the receipt of all required approvals and final commitment to proceed by the Unity Mining Board.

### 3.7.5 Metal recovery

Unity Mining predicts that over the mine life, metal recoveries from the on-site gravity and flotation circuits combined will average 98% for gold, and 73% for silver. Total recoveries, including the proposed off-site CIL processing, are expected to be 96% for gold, and 62% for silver. These values are in agreement with the recoveries achieved during the three stages of testwork. However, it should be noted that the variability testwork during Stage 3 did identify significant variability in the recoveries of gold and silver, and in the distribution of gravity recoverable gold to flotation recovered gold. In AMC's opinion, this variability could adversely affect total metal recoveries. This risk is offset to some degree by the relatively conservative approach to flowsheet design.

## 3.8 Infrastructure and services

### 3.8.1 Power supply

The project design envisages that power will be provided from the national power grid, with a 22 kV electricity connection to the project site from an existing 66/22 kV substation. Further reductions in voltage from 22 kV to 11 kV, 415 V and 240 V using on-site transformers are proposed. A High Voltage Connection Agreement from County Energy / Essential Energy will be required prior to commencement of operations. However, due to limitations of the local electrical grid, electrical load allowed for the site is limited to 3.1 MVA so as to not disturb other grid users.

### 3.8.2 Water supply

Potable water will be provided by a treatment plant integrated into the processing plant, providing water for emergency showers, ablutions, food preparation areas, and processing. Potable water will be distributed to offices, workshops, and other surface facilities.



Process water will, for the most part, be recycled within the process plant, and from leachate collection ponds, sediment ponds, and from the TSF. However makeup water will be required. The 2010 Feasibility Study identified water supply as being a critical issue for the project. Subsequently, more-detailed analysis identified three separate water supply sources.

- Groundwater inflow into the mine workings, which would be the primary water source.
- Groundwater inflow from historic mine workings, which would be the secondary water source.
- Surface runoff collected in harvestable rights dams. This water would be the preferential supply source for any return of flow to Majors Creek.

Various measures are also included in the project design to reduce water consumption.

### 3.8.3 Buildings

It is envisaged that prefabricated transportable buildings will be used for site offices, workshops, and other facilities. A fenced explosive magazine located within an exclusion zone has been constructed. An Explosives Storage and Use Licence from WorkCover Authority NSW will be required, prior to commissioning the magazine.

### 3.8.4 Communication

Proposed communications facilities include mobile and landline phones, email and internet access, and UHF radios providing both surface and underground coverage.

### 3.8.5 Tailings storage facilities

As part of the 2010 Feasibility Study, Knight Piésold Pty Limited was commissioned to design and cost a TSF, with the design to be in accordance with the requirements of the NSW Dam Safety Committee guidelines on the safe design and operating standards for tailings storages.

The proposed TSF comprises a cross-valley storage facility, with a zoned main embankment to retain the tailings and excess water diverted from the upstream catchment. The design incorporates a basic underdrainage system to reduce seepage, and a drain located at the upstream toe to lower the phreatic surface in the embankment. The upstream toe drain and the underdrainage system drain by gravity to a collection sump located at the upstream toe of the embankment. Supernatant water will be decanted from the facility via a decant tower in the head of the valley. Solution recovered from the underdrainage and decant systems will be pumped back to the plant for reuse in the processing circuit.

It is proposed to raise the embankment in three stages. An emergency spillway will be constructed for each stage. Tailings will be discharged into the facility by subaerial deposition from spigots spaced along the embankment wall. Deposition will mainly be from the main embankment towards the valley, to form a supernatant pond away from the wall.

The facility has been designed to completely contain all storm events of return periods up to 1:100 years. The emergency spillway is designed to handle storm events of Average Reoccurrence Interval of 1:10,000 years. At closure, it is planned to design the final spillway to control the discharge resulting from a Probable Maximum Precipitation storm event.

It is planned to construct the embankment using mine waste and local borrow pit material. At its final stage, the facility is designed to have a capacity of approximately 890,000 dry tonnes, or slightly over half of the total tailings produced. It is envisaged that the remainder of the tailings will be used as backfill in the mine workings.

A number of seepage control and underdrainage collection features have been integrated into the design, including the use of a geosynthetic liner over parts of the facility. A comprehensive monitoring programme is envisaged to monitor stability, and seepage water quality.

It is planned to rehabilitate the facility soon after decommissioning. The main focus of the rehabilitation programme will be respreading of harvested topsoil, revegetation, erosion control (with rock armour protection on the embankment face if required), and stormwater management. The final surface of the facility is planned to slope gently from the embankment to the final spillway, so that no ponding occurs on the final profile.

Unity Mining through Big Island Mining Pty Ltd holds a Dam Safety Approval from the NSW Dam Safety Committee that the TSF conforms to the committee's requirements.

## 3.9 Approvals, environment and community

### 3.9.1 Consents, authorities, and licences

Unity Mining through Big Island Mining Pty Ltd holds the following primary approvals:

- Mining Lease ML 1675.
- Development Consent (application number 10\_0054) issued under Part 3A of the Environmental Planning and Assessment Act 1979, modified on 12 July 2012 and 28 October 2013. Expires on 31 August 2018.
- Environmental Protection Licence EPL No. 20095 was issued on 12 May 2012 and was last varied on 24 May 2014.

- Approval 2010/5770 for the Dargues Gold Mine under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (EPBA).

The Land and Environment Court of New South Wales upheld the Dargues Project approval on 8 February 2012 (application No. 10\_0054). The approval allows Big Island Mining Pty Ltd to carry out mining operations on the site until 31 August 2018. The approval stated that the proponent shall not:

- Process more than 355,000 tonnes of ore at the site in a calendar year.
- Process more than 1.2 million tonnes of ore at the site over the life of the project.
- Use tailings to backfill completed stopes within the mine (modifications were subsequently made to the approval to allow backfill of tailings).
- Use any cyanide or mercury on the site to process or extract gold from the project; or
- Process or smelt any ore other than that extracted from the site.

Application No. 10\_0054 has since been modified twice, the July 2012 modification and the October 2013 modification, and a further application (MOD3) was submitted in September 2015. MOD3 applied to vary the Development Consent to, amongst other things, permit the on-site leaching of concentrate using conventional cyanide leaching, and the placement of leaching tailings in the TSF. Public exhibition of the environmental assessment of MOD3 ended on 26 August 2015. Significant adverse public reactions were forthcoming, and Unity Mining has since advised that it has withdrawn the on-site cyanide leaching components.

The NSW Department of Planning and Environment is currently considering the other aspects of the MOD3 application. These include increasing the total amount of ore that can be mined from 1.2 Mt to 1.6 Mt, and extending the period in which mining and processing operations can be carried out from 31 August 2018 to 31 August 2022. The timing and process for approval of the remaining aspects of MOD3 is uncertain. However, Unity Mining expects approval of these matters by the end of March 2016, to allow for full development of the Dargues Project to commence.

Environmental approvals and licences will be required to enable Unity Mining to transport and process the gold-rich sulphide concentrate from the Dargues Project site to the Westtime processing plant in Parkes. Unity has advised AMC that the Parkes processing plant approval has been modified under Part 4 of the Environmental Planning and Assessment Act to allow the activities proposed by Unity to be carried out.

In addition to the primary approvals summarised above, Big Island Mining Pty Ltd holds a number of secondary approvals including, four Water Access Licences from the NSW Office of Water, and a Section 138 Permit or deed from the local council.

### 3.9.2 Compliance with regulatory requirements

Prior to the suspension of work on the project in December 2013, there were three sediment release incidents during the high-intensity rainfall that occurred during the first few weeks of site establishment works. Big Island Mining Pty Ltd was prosecuted by the Environmental Protection Authority (EPA) and pleaded guilty to the three offences. Big Island Mining Pty Ltd was ordered to pay a fine of \$103,000 and EPA costs of \$93,000.

Unity Mining engaged an independent environmental consultant to prepare an environmental audit report in accordance with the projects approval conditions. The audit, carried out in 2014, reviewed the project against all relevant environmental approval conditions. The audit concluded that the project was being developed, generally in accordance with the project description outlined in the approved Environmental Assessment and Mining Lease environmental conditions.

Unity Mining's compliance reporting (July 2015) indicates that the project, in its current state of development, is generally in compliance with the conditions of EPBC Act approval.

### 3.9.3 Pre-existing environmental liabilities

Alluvial mining has been carried out along stream lines, and three historical hard rock mines are located within ML 1675. The mining lease notes that rehabilitation works are required for land disturbed by Unity Mining, and it is anticipated that this would effectively avoid any obligation for Unity Mining to rehabilitate any previous mining disturbances.

The environmental assessment for the proposal notes that Unity Mining was not aware of cyanide or mercury being used during previous mining operations, and that discovery of mercury or cyanide contamination was not expected. However, it appears that no contaminated land studies have been carried out, and as such, there is a risk of encountering contaminated land on land purchased by Unity Mining.

### 3.9.4 Environmental management

Unity Mining has published an environmental policy and has environmental management plans that have been prepared in consultation with a range of government departments, councils and consultants. All management plans for the Dargues Project have been approved by the Director General of the Department of Planning and Infrastructure. The plans cover aboriginal heritage, air quality and greenhouse gas emissions, biodiversity, blasting, bushfire, noise, traffic, waste, water, and other matters.



### 3.9.5 Social and community impact management

Unity Mining has published a community relations policy outline and has established the Dargues Project Community Consultative Committee, formed of representatives of local government authorities, the community, and Unity Mining.

In AMC's opinion, the previous water pollution incidents and associated prosecution, together with reversal of an earlier commitment against cyanide use, and the proposed increase in tailings dam capacity adversely affected Unity Mining's social licence to develop the project. This could result in delays to final project approvals. However, Unity Mining has reported that it is encouraged by the recent discussions with NSW Government in this regard, as well as by the general support the project continues to receive from the community following removal of the cyanide usage from the MOD3 application.

### 3.9.6 Environmental offsets, mine closure, rehabilitation and security deposits

An environmental offset area has been established as an integral part of the project. The land required for the offset has been acquired.

Condition No. 19 of ML1675 requires that a security deposit of \$2.661 million is provided prior to commencement of operations. Unity Mining initially submitted a deposit of \$2.661 million, which AMC understands was to cover the full extent of the initial scope of mine disturbance. However, following the indefinite cessation of development, Unity Mining applied to reduce its security bond to \$0.7 million. As a result, a security bond of \$0.7 million is currently in place, reflecting current disturbance. A final decision to proceed with the project would likely require a review of the security deposit and immediate payment of approximately \$1.96 million to restore the security bond to the level required to cover the disturbance associated with the approved project. In addition to the security bond, a conservation bond<sup>7</sup> of approximately \$0.447 million was submitted to Westpac Banking Corporation on 18 February 2013. Bonds of \$70,000 are also in place for each of the exploration licences surrounding the Dargues Project.

### 3.10 Capital costs

Unity Mining's current life-of-mine capital cost estimate is \$57.9 million. The estimate includes capital for both on-site and off-site processing infrastructure. A summary of Unity Mining's capital estimate is shown in Table 3.4. The capital costs are based primarily on work carried in the 2010 Feasibility Study and on a subsequent values engineering study.

**Table 3.4** Unity Mining's capital cost estimate for the Dargues Project

| Item                                  | Cost (\$ million) |
|---------------------------------------|-------------------|
| Capitalised pre-production activities | 14.1              |
| Processing plant                      | 26.6              |
| Power line                            | 1.2               |
| TSF                                   | 2.4               |
| Mobile equipment                      | 0.8               |
| Buildings                             | 1.3               |
| Site services                         | 1.9               |
| Surface works                         | 0.7               |
| Ventilation fan                       | 0.7               |
| CIL plant (off-site)                  | 6.8               |
| Roads                                 | 0.3               |
| Underground infrastructure            | 0.8               |
| Pre-prod administration               | 0.3               |
| <b>Total (excluding Contingency)</b>  | <b>57.9</b>       |

Note: The totals may not equal the sum of the components due to rounding adjustments.

### 3.11 Operating costs

Unity Mining's estimates of life-of-mine operating costs excluding Government Royalty charges are shown in Table 3.5. Government Royalty charges are estimated at approximately 2.1% of the gross revenue from gold sales.

**Table 3.5** Unity Mining's operating cost estimate for the Dargues Project

| Activity   | Life-of-Mine Cost (\$ million) | Life-of-Mine Unit Rate (\$/t) |
|--|--------------------------------|-------------------------------|
| Mining (including sustaining capital)                              | 98.3                           | 62.20                         |
| Processing on-site (including the cost of transport to Parkes)     | 44.8                           | 28.66                         |
| Processing off-site  | 43.5                           | 27.85                         |
| Administration, including geology, health, safety, and environment | 12.6                           | 8.05                          |
| <b>Total</b>   | <b>198.0</b>                   | <b>126.75</b>                 |

Note: The totals may not equal the sum of the components due to rounding adjustments.

<sup>7</sup> A bond to cover the cost of establishing and environmental offset.

### 3.12 AMC Production Case

Unity Mining has provided AMC with an economic model of the Dargues Project, which is principally based on the 2010 Feasibility Study. The Unity Mining economic model assumes that a total of 1.563 Mt of material will be mined and processed at a grade of 5.08 g/t Au. AMC understands that this total comprises the Ore Reserve (1.389 Mt at a grade of 5.2 g/t Au) and material derived from Inferred Mineral Resources after the application of mining recovery and dilution factors. AMC believes that Unity Mining's expectation that some Inferred Mineral Resource will eventually be converted to Ore Reserves is a reasonable expectation.

AMC has reviewed the model and the 2010 Feasibility Study, and has prepared a Production Case for use by Sumner Hall for the purpose of valuing the Dargues Project. Based on the findings of its independent technical review, AMC has made the following adjustments to the model provided by Unity Mining. AMC believes that the Production Case is based on reasonable grounds:

- AMC has adjusted the dilution estimate for stope ore from 10% to 18% as discussed in Section 3.6.1.
- The annual production rate has been reduced to achieve an average rate of vertical advance of 60 m per annum as discussed in Section 3.5.1.
- AMC has adjusted the overall gold recovery from 97.2% in economic model, to 95.6% based on AMC's review of the 2010 Feasibility Study testwork results.
- AMC has adjusted the capital cost of the TSF from \$2.5 million to \$3.97 million based on AMC's review of the 2010 Feasibility Study.
- Mine capital and mining operating costs have been increased based on AMC's assessment that the mine development and operating costs in the Unity Mining economic model are lower than those of comparable mining operations in AMC's database, and the costs are significantly lower than those developed in the 2010 Feasibility Study.
- AMC's Production Case includes sustaining capital for the continued development of the access decline, ventilation circuits, and access crosscuts after the commencement of first production. This expenditure is included as an operating expense in the Unity Mining economic model.
- Based on AMC's review of the off-site processing costs included in the Unity Mining economic model, and AMC's assessment of the concentrate leaching costs of comparable operations, AMC has reduced the off-site processing costs.

AMC's Production Case is summarised in Table 3.6.

**Table 3.6** AMC's Production Case for the Dargues Project

|   | Total | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|---|-------|--------|--------|--------|--------|--------|--------|--------|
| Total ore mined (kt)                    | 1,666 | 75     | 300    | 320    | 275    | 227    | 238    | 231    |
| Total ore processed (kt)                | 1,666 | 62     | 314    | 320    | 275    | 227    | 238    | 231    |
| Gold grade (g/t)                        | 4.76  | 3.99   | 4.34   | 4.03   | 4.06   | 4.68   | 6.06   | 6.14   |
| Gold produced (koz)                     | 244   | 7.6    | 41.8   | 39.7   | 34.4   | 32.6   | 44.4   | 43.5   |
| Capital (project plus sustaining) (\$m) | 75    | 55.1   | 12.2   | 5.5    | 0.6    | 0.1    | –      | 1.0    |
| Operating expenditure (\$m)             | 206   | 16.6   | 43.1   | 41.5   | 31.9   | 24.8   | 25.7   | 23.7   |

Note: The totals may not equal the sum of the components due to rounding adjustments.

### 3.13 Key risks to the Dargues Project

AMC considers that the key risks to its Production Case include:

- The project is yet to be fully permitted in the manner currently envisaged by Unity Mining, and public opposition and environmental concerns may delay or compromise the economic viability of the current plan.
- Technical details of the proposed concentrate processing and tailings storage arrangements at Parkes have yet to be developed. It is possible that delays to the project may occur while these details are finalised and all necessary permits granted.
- In AMC's opinion, some of the Mineral Resource classifications are optimistic. There is a risk that some parts of the Mineral Resource, in particular the smaller lodes, may prove to be of smaller size or less continuous than has been assumed in the modelling and therefore not be viable for mining.
- Reductions in head grade may occur if stope dilution is higher than expected as a result of poor ground conditions, or poor mining practices.
- The mining and processing costs per tonne may be higher than expected if the scheduled production rate is not achieved because of if mining conditions are more difficult than envisaged.
- The scheduled metal recoveries in the on-site processing plant may not be consistently achieved as reflected in the variability in the testwork results.
- In the event of sustained drought conditions, the availability or supply of water for the process plant may be insufficient for sustained processing at the proposed production rates.

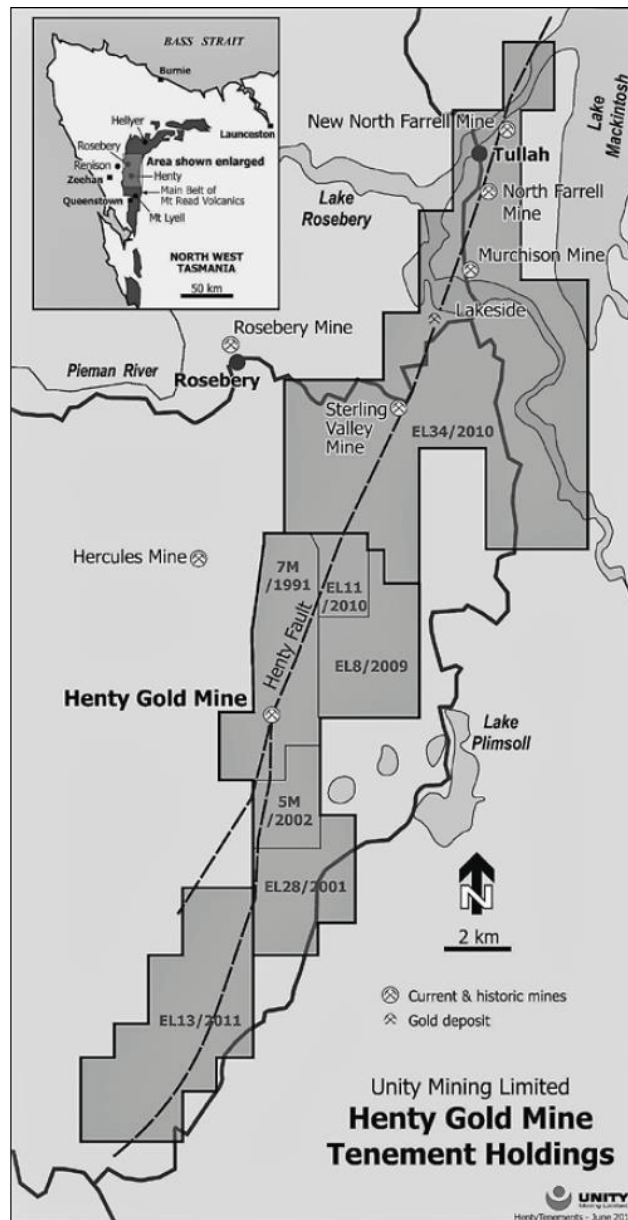
A significant fall in the local gold price would seriously impact project economics, due to the relatively small margin above all-in sustaining costs.

## 4 The Henty Mineral Assets

### 4.1 Location and background

The Henty Gold Mine is located in glaciated mountainous terrain in the upper Henty Valley on the west coast of Tasmania, adjacent to the Southwest Conservation Area. The mine is 10 km south of the town of Rosebery, 19 km east of Zeehan, and 23 km to the north of Queenstown. The locations of the mine and associated tenements are shown in Figure 4.1. Since this figure was drawn, EL 34/2010 and EL11/2010 have been amalgamated.

Figure 4.1 Location of Unity Mining's mineral tenements in Tasmania



Modern exploration in the Henty region began in 1966 when Renison Limited held exploration licences. Exploration firstly for Mt Lyell-style copper mineralisation, then for volcanogenic massive sulphide deposits, and then for gold deposits, was carried out by divisions of Renison Limited, and by various joint venture partners. By the mid-1980s, the Henty prospect had been discovered. The main orebody was discovered in 1989. Major development work commenced in 1993. The history of ownership of the deposit is summarised as follows:

- In 1995, RGC Limited (as Renison Limited had been renamed) sold its assets, including Henty, into a new listing called Goldfields Limited.
- In 1996, the underground Henty Gold Mine commenced production.
- In 2002, Goldfields Limited merged with Delta Gold Limited to become AurionGold Limited.
- In 2003, AurionGold was acquired by Placer Dome Inc.
- In 2006, Placer Dome Inc. was acquired by Barrick Gold Corporation.

In 2009, Bendigo Mining Limited (BML) acquired Henty from Barrick Australia Limited for a consideration of \$5 million in cash, the equivalent of \$3 million in BML ordinary shares, and a royalty payable on production from future exploration discoveries, capped at \$22 million. The key liabilities assumed at the time included employee redundancies and environmental closure costs, which were estimated to total approximately \$15 million, to be incurred at the time the mine closed.

In 2010, BML changed its name to Unity Mining Limited.

In June 2015, Unity Mining announced it had entered into a farm-in agreement with Diversified Minerals Pty Ltd, a part of the PYBAR Group of companies, and had commenced a comprehensive three-stage drilling programme focussed on identifying resources, with a view to recommencing sustainable production, after the imminent depletion of existing Ore Reserves.

In November 2015, the Ore Reserve at Henty was depleted to zero, and production was suspended. Exploration drilling continues.

The recent production history of the Henty Gold Mine is summarised in Table 4.1.

**Table 4.1 Henty historical production and operating costs**

|                                   | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 YTD |
|-----------------------------------|---------|---------|---------|---------|---------|-------------|
| Ore mined (t)                     | 253,646 | 297,885 | 276,626 | 247,230 | 268,147 | 91,488      |
| Development (m)                   | 3,674   | 4,289   | 4,543   | 4,348   | 2,176   | 0           |
| Ore processed (t)                 | 254,106 | 278,105 | 278,105 | 240,297 | 264,041 | 102,825     |
| Grade (g/t Au)                    | 4.7     | 5.6     | 5.3     | 5.3     | 6.3     | 4.2         |
| Metallurgical recovery (%)        | 93.0    | 93.8    | 93.1    | 93.4    | 93.8    | 89.4        |
| Gold produced (oz)                | 35,728  | 50,058  | 43,851  | 38,067  | 50,450  | 12,512      |
| Cash cost excl. royalties (\$/oz) | 995     | 820     | 1,047   | 1,164   | 801     | 995         |
| Cash cost incl. royalties (\$/oz) | 1,105   | 982     | 1,114   | 1,203   | 870     | 995         |
| Cash operating cost (\$/t)        | 155     | 165     | 179     | 191     | 166     | 121         |

Source: Unity Mining

#### 4.1.1 Henty Ore Reserve and Mineral Resource

The last public disclosure by Unity Mining of the Henty Ore Reserve (30 June 2015) reported a combined Proved and Probable Ore Reserve of 65 kt grading 5.0 g/t gold (containing 10 koz gold). A total of 91 kt of ore grading 4.6 g/t gold was mined between July 2015 and November 2015. AMC expects that most production since July was sourced from the reported Ore Reserves, and that the Henty Ore Reserve is now depleted to zero.

The last public disclosure by Unity Mining of the Henty Mineral Resource (30 November 2015) is shown in Table 4.2. The estimate has been prepared by depleting the previous Mineral Resource estimated as at 30 June 2015 by the mining that has taken place since that date. The resource has been estimated at a 2 g/t gold cut-off.

**Table 4.2 Henty Mineral Resource estimate at 30 June 2015**

|       | Measured |          |     | Indicated |          |     | Inferred |          |     | Total |          |     |
|-------|----------|----------|-----|-----------|----------|-----|----------|----------|-----|-------|----------|-----|
|       | kt       | g/t gold | koz | kt        | g/t gold | koz | kt       | g/t gold | koz | kt    | g/t gold | koz |
| Henty | 760      | 4.5      | 111 | 386       | 4.1      | 51  | 293      | 4.9      | 46  | 1,439 | 4.5      | 208 |

Source: Unity Mining Quarterly Activities Report January 2016

## 4.2 Geology and mineralisation

### 4.2.1 Regional geology

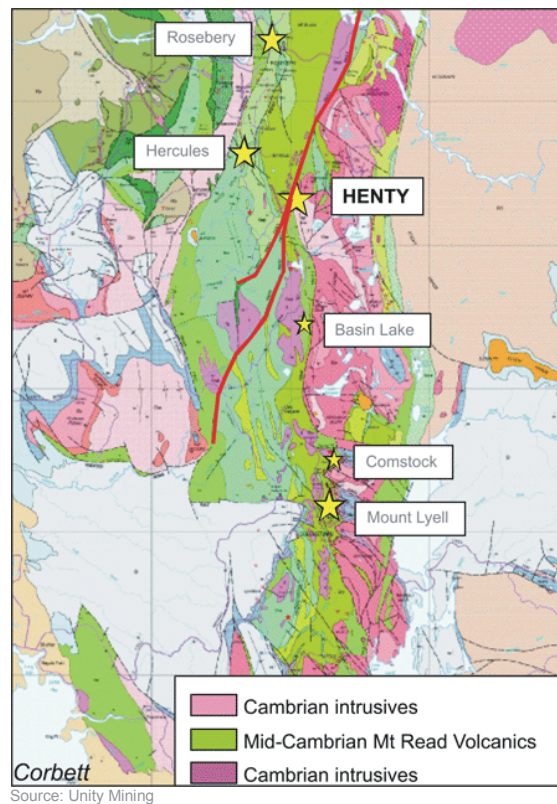
The Henty Gold Mine is hosted in the Cambrian Mt Read Volcanics, an arcuate belt of acid to intermediate volcanic rocks occupying the eastern margin of the Dundas Trough (Figure 4.2). They are bounded to the east by Precambrian basement rocks and younger Cambro-Ordovician sedimentary rocks, and appear to interfinger with volcanosedimentary rocks of the Dundas Group and Western Sedimentary Sequence to the west.

A major north-south striking structure, the Henty Fault, divides the Mt Read Volcanics into two parts. The Mt Read Volcanics north and west of the Henty Fault host the lead-zinc rich polymetallic volcanogenic massive sulphide (VHMS) deposits of Rosebery, Hercules, Que River and Hellyer, while the volcanics south and east host the Henty Gold Mine and the copper-gold deposits of the Mt Lyell Field. Within the Henty Fault zone itself are rocks of the Henty Fault Sequence to the south of Mt Murchison, and the Farrell Slates to the north near Tullah.

The Henty Fault, which dips at 70° to the west, dominates the Mt Read Volcanic Belt for at least 60 km. The Henty Fault divides into the North and South Henty Faults near Mt Read. The Great Lyell Fault splays off the Henty Fault somewhere in the vicinity of Mt Murchison, and trends in a southerly direction to the south of Mt Lyell. Both of these structures bound the western margin of younger, thick sequences of Owen Conglomerate.

The Mt Read Volcanics have been affected by multiphase deformation, which has produced tight folding, pervasive foliation, and metamorphism in the phyllosilicate-rich volcanics.

Figure 4.2 Map of the regional geology at Henty



#### 4.2.2 Local geology

The Henty mining lease covers rocks of the Central Volcanic Sequences, the Henty Fault Sequences, and Tyndall Group rocks of the Mount Read Volcanics and the overlying Owen Conglomerate. Near the mine, the Henty Fault splays into the North and South Henty Faults, dividing the geology into segments to the east and west of the faults, and a package between the splays (Figure 4.3).

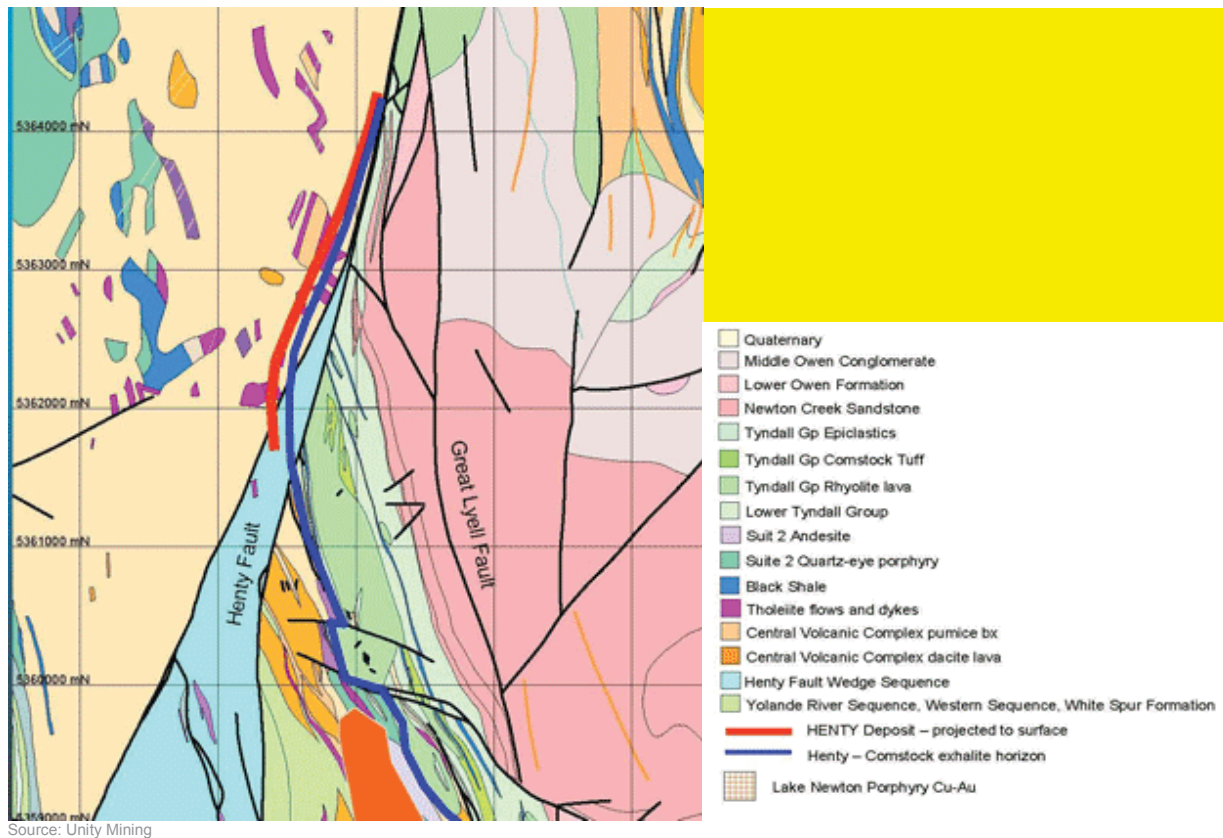
The Henty Fault Sequences lie between the North and South Henty Faults and comprise carbonaceous black shales, mafic to ultramafic volcanics, and quartz phyric volcanoclastics. Rocks to the east of the Henty Fault comprise quartz phyric volcanics of the Tyndall Group and siliciclastics of the Newton Creek Sandstone of the Owen Conglomerate. Dacitic volcanoclastics and lavas that may be part of the Central Volcanic Sequences also occur east of the Henty Fault in the southern area of the lease.

An important unit in the mine area is the Lynchford Member of the Tyndall Group, which comprises green to red massive coarse grained crystal-rich feldspar-phyric volcanoclastic sandstone, with lesser siltstones and matrix supported lithic breccias and minor interbedded cherts, and cream, pink, or purple carbonates. Original textures are still discernible, despite subsequent hydrothermal alteration and deformation.

The Henty deposit is comprised of a series of gold bearing, sulphide-rich lodes that plunge shallowly to the south, and dip steeply to the west in proximity to the footwall of the regional South Henty fault. The orebodies plunge at 45° to the south between the Sill Zone and Zone 96, but the plunge flattens at depth. The structure, alteration, and gold mineralisation are strongly related to the Henty Fault Zone. Alteration extends several hundred metres down-dip from the fault contact before a rapid decrease in intensity. The orebodies are disrupted by numerous north-south trending, steeply west-dipping brittle-ductile faults, with displacements of up to a few metres. Nearly all of the stratigraphic units of the Tyndall Group present at the Henty Gold Mine have undergone hydrothermal alteration. The most intense quartz-sericite-sulphide alteration and gold mineralisation has affected all rock types adjacent to the Henty Fault, and is referred to as "A-Zone" type alteration. Gold mineralisation is either native gold, or gold-rich electrum associated with galena and chalcopyrite.



Figure 4.3 Map of the local geology at Henty



Source: Unity Mining

### 4.3 Mineral database

#### 4.3.1 Sample types

All the samples used to estimate the current Mineral Resources at Henty were obtained by diamond core drilling. Most of the drilling is by underground rigs producing either LTK 60 (43.9 mm) or NQ2 (50.8 mm) core. Drillhole intercept spacing is designed to be between 15 m and 30 m in most areas.

Sample lengths are generally between 0.2 m and 1.2 m. Samples are terminated at geological boundaries.

All drill collars and mine workings were surveyed by a qualified surveyor. Downhole surveys have been carried out using single or multishot cameras and, since 2013, with a gyroscope that avoids any potential magnetic interference from naturally-magnetic minerals or steel in the mine.

#### 4.3.2 Sample preparation, analyses, and security

All core are photographed and geologically logged using a structured digital coding system. All data are stored in a Datashed database. The routines for uploading new data into the database include basic checks for overlaps and data outside realistic ranges, which are then corrected. There are some erroneous records in the older data in the database, but these are identified and excluded during preparation of the data for resource modelling.

Core is sampled by cutting in half with a diamond saw. Since February 2012, samples have been analysed by fire assay with atomic absorption finish. Samples returning greater than 100 g/t gold are reanalysed using a dilution method that improves precision. A suite of other metals is analysed by Aqua Regia digest and ICP finish. If potentially ore grade elements are encountered, the pulps are reanalysed using an AAS finish. Prior to February 2012, the analytical method for gold was the Leachwell technique. This was discontinued due to problems with service provision at the on-site laboratory. All chemical analyses were performed by accredited independent commercial laboratories.

#### 4.3.3 Quality assurance and quality control (QAQC)

QAQC samples are inserted into every sample batch. CRMs (purchased from Rocklabs) are inserted at a rate of 1-in-20 samples, with at least three in each batch (one low, one average, one high grade). Blank samples are inserted at a rate of 1-in-25 samples.

QAQC sample results are monitored by the mine geologists and if the results are outside acceptable limits, samples are reanalysed. There is no formal record of the analysis of the QAQC data or records of the corrective actions taken.

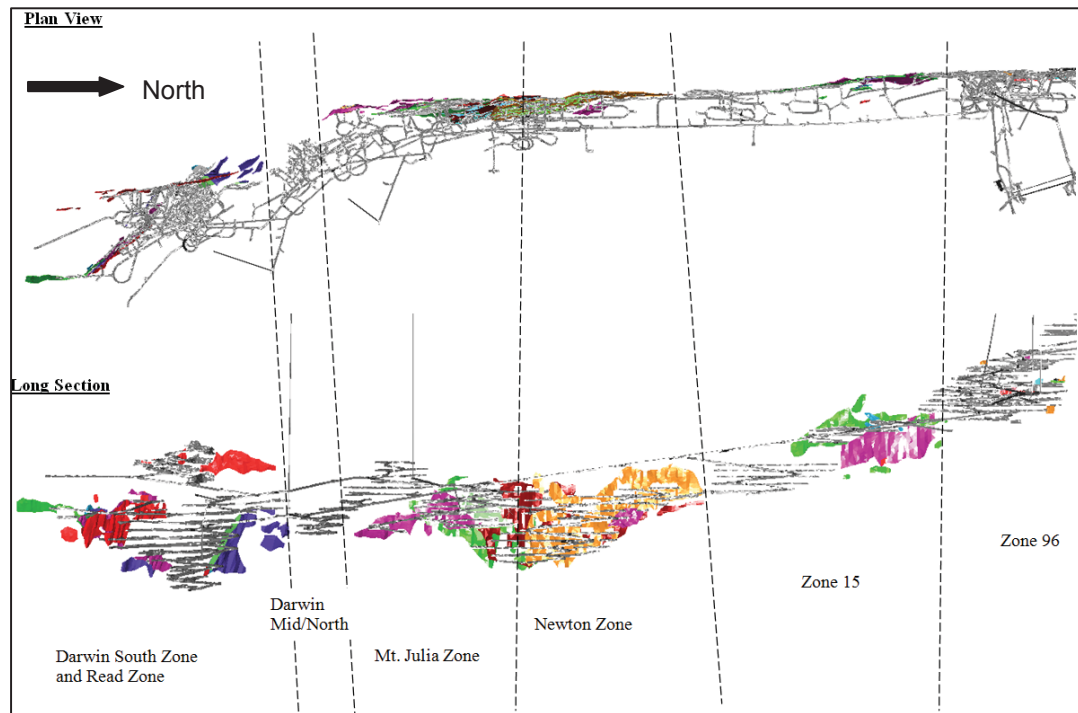
#### 4.3.4 Bulk density

In situ dry bulk density is estimated at 2.8 t/m<sup>3</sup>. This is based on measurements using a water immersion method of 102 samples collected from the ROM stockpile and underground development. The value is supported by accumulated mine and mill production data, and is consistent with the dominant mineral species in the ore.

#### 4.4 Mineral Resources at Henty

Mineral Resources occur in numerous shear-controlled, quartz-rich bodies related to the Henty Fault. The geological interpretation is constructed in 3D based on the core logs, assay results and underground mapping. Figure 4.4 shows plan and long section projections (looking east) of the mine development (gray) and remaining Mineral Resources (various colours). The overall length of the mineralised system is approximately 3 km.

Figure 4.4 Plan and long section, showing mine development and the remaining resource



As can be seen in Figure 4.4, the remaining Mineral Resources are typically peripheral to orebodies that have already been mined. Unity Mining's assessment is that much of the remaining Mineral Resources cannot be safely and profitably recovered at current costs and gold price.

##### 4.4.1 Resource estimation method

A selection of some of the key parameters used in the resource estimation is presented in Section 4.3

All samples are composited downhole over 1 m intervals. Geological wireframe models are interpreted from a combination of grades and geological information. A 2 g/t gold grade cut-off is used to help define the Mineral Resource wireframes where necessary.

The wireframe models are filled with blocks and sub-blocks. Three separate block models are currently used for different parts of the deposit. A parent block size was selected with sub-celling designed to provide adequate resolution of domains in the model.

Variography was conducted on the composites for gold. Normal and pairwise variograms were generated to analyse grade, spatial continuity of grades, and provide parameters for grade estimation.

Top cuts were commonly applied to the drill composites to reduce the risk of overestimating block grades. The top cuts vary from lode to lode, based on the statistical distribution of composites. In lodes that have been partially mined, the top cuts have been determined based on the remaining unmined composites. In AMC's opinion, this is illogical and incorrect, because mining depletion is unrelated to the geological characteristics of the lode.

Estimation search parameters were developed from the results of the variography. Sample searches were designed as flattened ellipses, oriented to follow the plunge direction of the lode or domain.

Grade estimation was completed in Datamine software using ordinary kriging for gold, and inverse distance squared weighting for bismuth, lead, zinc, copper, silver, and arsenic. Contrary to theoretical best practice, the grades of individual sub-blocks are estimated, rather than estimating the parent blocks.

Grade estimation was run in three search passes, with a variety of criteria for minimum and maximum number of samples, depending on the domain. The first pass search distances approximately correspond to the range of continuity indicated by the variograms. The second and third pass searches were increased by a factor of 2 and 3, respectively. Some lodes are tested by only a small number of composites. In these cases, the composites from selected adjacent lodes are allowed to influence the estimation of the block grades.

**Table 4.3** A selection of resource modelling parameters used for resource estimation

| Parameter                                    | Newton/Mt Julia   | Darwin South             | Read              |
|--|-------------------|--------------------------|-------------------|
| Composite length (m)                         | 1                 | 1                        | 1                 |
| Block size (m), X direction                  | 4                 | 2                        | 2                 |
| Block size (m), Y direction                  | 5                 | 5                        | 10                |
| Block size (m), Z direction                  | 5                 | 5                        | 5                 |
| Minimum sub-block size (m), X direction      | 0.008             | 0.002                    |                   |
| Minimum sub-block size (m), Y direction      | 1.25              | 1.25                     |                   |
| Minimum sub-block size (m), Z direction      | 1.25              | 1.25                     |                   |
| Minimum number of samples for block estimate | 5                 | 5                        | 5                 |
| Maximum number of samples for block estimate | 15                | 15                       | 15                |
| Maximum composites per hole                  | 5                 | 5                        | 5                 |
| First pass search distances                  | 28 m x 25 m x 4 m | 47.5 m x 60.5 m x 15.5 m | 15 m x 10 m x 3 m |

#### 4.4.2 Mineral Resource model validation

The resource models were validated by visual comparison with drillhole grades using swath plots, various statistical checks, and by monthly mine reconciliation.

#### 4.4.3 Mineral Resource classification

The Mineral Resources were classified using a combination of the kriging variance, which provides a measure of the spatial configuration of composites around each block, and the search pass. The first pass has generally been considered as Measured Resource, the second pass as Indicated Resource, and the third pass as Inferred Resource.

#### 4.4.4 Mineral Resource conclusions

Mineral Resources are modelled at Henty using normal industry methods that are managed by long-established procedures. Although there are some modifications peculiar to Henty that can be challenged on theoretical grounds, the general approach is satisfactory and the validation steps minimise the potential for serious errors. Moreover, the models have proved suitable for use in mine planning, and have reconciled adequately against mill production.

### 4.5 Mining

Access from surface to the series of orebodies at Henty is via shaft and decline, linked to a common portal exit. Mining has developed progressively from north to south, following the plunge of the orebody. Currently the deepest part of the mine is the Darwin South area at a depth of about 850 m. Mining methods used at Henty vary according to the geometry and geotechnical characteristics of the orebody and host rock. The main mining methods are longhole bench stoping, transverse open stoping, and flatbacking (cut and fill). Stopes were recently filled with waste rock, but pastefill has been used in the past. The paste plant is on care-and-maintenance.

All ore was hauled from the mine up the decline to the hoisting shaft, where it was hoisted to the surface and hauled by truck to the ROM pad. More recently, the hoisting shaft was bypassed and all ore was trucked directly up from the mine to the ROM. Development waste was stored temporarily in underground storage areas. Old waste stored on surface in an old quarry has been progressively reclaimed and used for stope fill.

Much of the ore and the adjacent waste are strongly foliated. Consequently geotechnical conditions can be challenging, and overbreak in the stopes is commonly substantial.

A ventilation raise is located above the Julia orebody. It is fitted with 800 kW and 500 kW fans.

### 4.6 Metallurgy and processing

Henty's CIL plant was constructed during 1995 and is currently on a care-and-maintenance schedule, with no immediate plans for closure.

The plant has an ore processing capacity of 300,000 tpa and utilises a mobile primary crusher to crush the ROM ore, and a semi-autogenous mill with the discharge screened and the oversized material returned to the mill. The undersized material is



classified in a cyclone cluster, with the underflow screened and a fraction transferred to the gravity circuit, where a Knelson Concentrator recovers gravity gold for intensive leaching, and subsequent conventional gold recovery. The cyclone overflow is transferred to a conventional CIL plant, with loaded carbon stripped and gold recovered via electrowinning in a conventional gold room to produce gold doré bars (Figure 4.5). The CIL tails are transferred to a cyanide destruct circuit for detoxification, and then transferred to a TSF or previously to a disc filter for subsequent mixing with cement to form paste for stope backfilling.

All rotating equipment is regularly inched or rotated in accordance with the scheduled care-and-maintenance plan, and appears to be in reasonable condition. An internal memo has been generated highlighting areas that will require work prior to restarting of the mill, however this appears to be a reasonably small amount of work, and no large items of concern were identified.

The Knelson concentrator was decommissioned some years ago and was only used when there was evidence of significant amounts of gravity gold. It is expected that the Knelson concentrator and associated equipment could be removed and sold separately if required, as its use is not fully justified by the limited amount of gravity gold available.

The paste plant appears to be in good condition, with the initial design aiming at remote operational control. During its initial operation, an operator was placed in the plant during operation due to some operational concerns, but the plant has not been in operation for several years. As the plant appears to be in good condition, recommissioning should not be a major issue, should it be required at some stage.

Several minor maintenance issues were apparent during AMC's site visit, including the need to replace several agitator shafts and the carbon dewatering screen. The detox reactor is at the end of its service life and will require comprehensive upgrades or replacement.

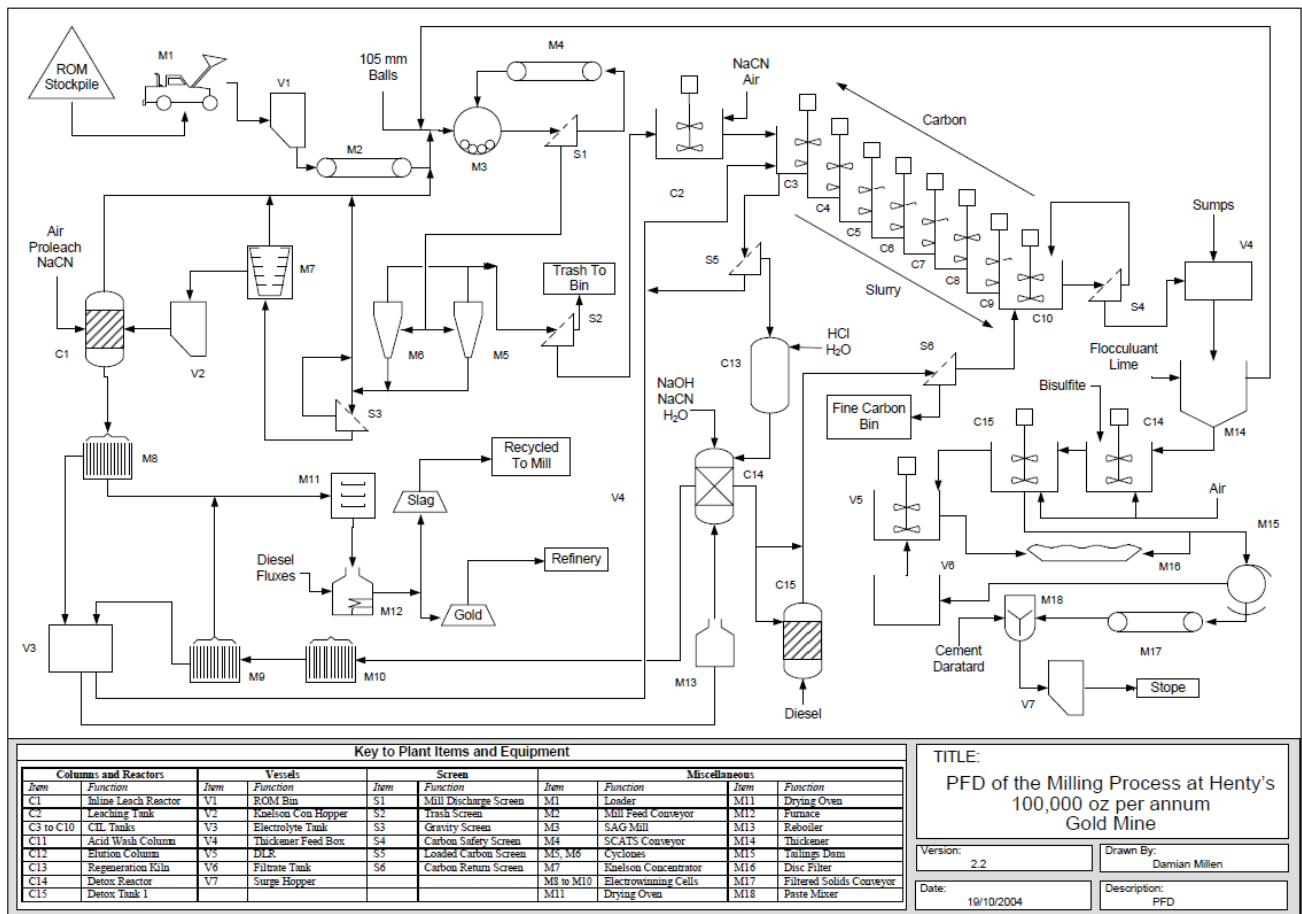
#### **4.6.1 Plant performance**

From data obtained from the monthly reports, grade to the mill ranged from about 3.8 g/t gold to as high as 9.8 g/t gold during February 2015. Tonnes milled were on average around 22,000 tonnes per month, which is slightly lower than the plant capacity, but in line with the actual mill throughput budget.

The budgeted gold recovery from the ore during processing was 94%, with recoveries for 2015 ranging from 90.5% to 95.6%. Gold produced for 2015 was just below 51,000 oz, with monthly budgets met on a regular basis, in part due to the feed ore containing higher gold grades than expected.

Overall the plant has performed well up to the point when it was decommissioned and placed onto a care-and-maintenance schedule.

Figure 4.5 Henty's mill process flow diagram



#### 4.7 Tailings storage facility

The TSF is nearly at its maximum current capacity with high-level designs available for three additional lifts of 3 m each. Approval for these have not yet been applied for, but will be required should the plant be recommissioned.

Although limited acid generation has been noted, the ore does have a relatively high sulphide content, which is counteracted by reasonable carbonate content. Two licensed discharge points are available to the operation, which are a mine water discharge and the tailings water discharge point. Some excursions due to high sulphate content have apparently been noted, and will require ongoing monitoring.

#### 4.8 Infrastructure and services

The Henty operation was an ongoing concern until recently and no evidence was found indicating that the main infrastructure has any significant or critical shortfalls. Should the operation be restarted, the infrastructure is generally fit for purpose and would meet any future normal operating requirements.

#### 4.9 Approvals, environment and community

##### 4.9.1 Mining and property tenure

The mineral tenements held by Unity Mining in Tasmania are listed in Section 2. While AMC has not reviewed compensation agreements, it is reasonable to conclude that compensation agreements are in place, by way of the granted mining leases.

##### 4.9.2 Consents, authorities, and licences

Mining projects in Tasmania generally require the following primary approvals:

- A Mining Lease granted under the provisions of the Mineral Resources Development Act 1995
- A planning permit issued under the provisions of the Land Use Planning and Approvals Act 1993
- A licence to take water from a watercourse under the Water Management Act 1999 (if required)
- An approval under the Commonwealth Environment Protection and Biodiversity Protection Act 1999, (if required)

Unity Mining's Mining Leases ML 7M/1991 and ML 5M/2002 permit mining activities, and ML 7M/2006 permits the storage of mine and processing wastes.

A Licence to Operate a Scheduled Premises (No. 3562) was issued for the project in 1988 under Section 25 of the Environmental Protection Act 1973 (EP Act). A Development Proposal and Environmental Management Plan was prepared in 1990, and a revised licence was issued on 25 August 1993. The Henty operation is currently permitted under the provisions of Environmental Management and Pollution Control Act 1994 (EMPC Act), which essentially replaced the EP Act.

The Henty Operation holds two Licences under the Water Act 1999:

- Water allocation WL7629 – with a daily limit of 0.75 ML and annual limit of 273 ML, with an abstraction point in Henty River.
- Water allocation WL8100 – with a daily limit of 1 ML and annual limit of 100 ML, with an abstraction point in Henty River.

A search of the public notices database established for the Environment Protection and Biodiversity Conservation Act 1999 did not identify any applications or approvals under that Act for the Henty operations. Given the relatively small areal extent of disturbance associated with the Henty operations, it is considered reasonable that approval has not been sought for the project under this Act.

In summary, it appears that primary approvals are in place for the Henty operations.

#### 4.9.3 Compliance with regulatory requirements

An audit to assess compliance in relation to selected environmental monitoring conditions was carried out in 2008. The audit concluded that the operation was in full compliance with the selected conditions.

Annual Environmental Management Review reports are a requirement of the amended Licences. However, these reports were not provided to AMC.

#### 4.9.4 Pre-existing environmental liabilities

The site is relatively isolated and the Henty project was the first development of this deposit. The Development Proposal and the Environment Management Plan did not discuss contaminated land.

In June 2009, an Environmental Site Assessment was undertaken, including Stage II & III – Site History Summary and Intrusive Soil and Groundwater Investigations. The results of the intrusive soil and groundwater investigations indicated some elevated metal concentrations, but these were most likely associated with the naturally-high concentrations in surrounding geology.

There appear to be a number of historical operations within exploration lease EL11/2010. However, it is assumed by AMC that the exploration lease does not impose any requirement for rehabilitation, monitoring or other activities associated with the historical mines.

#### 4.9.5 Environmental management

Henty operations issued a health safety environment and community policy, signed by the Managing Director and CEO on 28 February 2011. Unity Mining also states that it maintains an environmental management system aligned to ISO 14001.

The 1990 Development Proposal and Environmental Management Plan (DP & EMP) is the main framework for environmental and social management for the site. The EMP is reviewed every three years, and updated as necessary.

Annual Environmental Management Reviews are a requirement of project approvals, however, AMC has not reviewed these reports.

An External Environmental Monitoring Audit, also a requirement of project approvals, was carried out in 2007. AMC has not sighted any other recent reports.

The Unity Mining 2014 sustainability report, presents the high-level sustainability performance of the Henty site. The report indicates a number of non-compliances in 2014, and states that no rehabilitation work has been carried out. The consequences of the non-compliances are not described in the report.

Tailings from the CIL plant pass through a cyanide detox circuit prior to discharge in a purpose built tailings storage facility. The TSF is periodically inspected and assessed against Water Management (Safety of Dams) Regulations 2003 and the “Guidelines on Dam Safety Management” ANCOLD 2003 requirements for tailings dams. AMC reviewed the 2007 Surveillance report, which indicated compliance against the relevant regulations.

#### 4.9.6 Social and community impact management

The operation is located in a remote location, and there are few, if any, residential receptors in close proximity to the mine. As such, adverse social impacts of a return to operations are few if any.

#### 4.9.7 Environmental offsets, mine closure, progressive rehabilitation

AMC is not aware of any environmental offset requirements for the Henty operation.

Unity Mining has a detailed miner closure plan for the Henty operation prepared in 2011. The plan is of a reasonably high standard and covers the relevant closure issues.

It is understood by AMC that the original tailings dam has been rehabilitated. AMC is uncertain as to whether the rehabilitation work has been endorsed or accepted by the regulator.

#### 4.9.8 Security deposits

The mining lease instruments state the security deposits at time of grant/renewal as follows:

- ML 7M 1991 of \$1,200,000 ((November 2012)
- ML 7M/2006 of \$1,150,000 (November 2012)
- ML 5M/2002 of \$150,000 (November 2012)

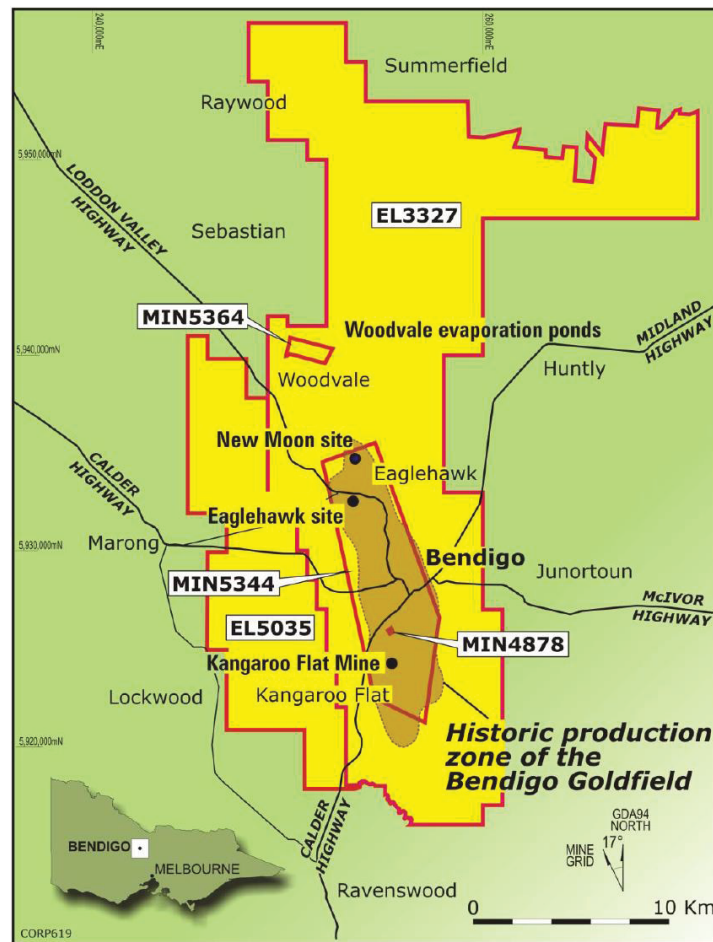
Unity Mining has prepared a security bond cost estimation spreadsheet dated 7 July 2015. The security bond was estimated at \$2,655,000. The bond estimate increased slightly from that determined in the lease renewals, which totalled \$2,500,000 in 2012. AMC considers that the method of calculation and the quantum of rehabilitation security deposit appear to be appropriate. It is understood by AMC that a bank guarantee has been provided to Minerals Resources Tasmania.

## 5 The Bendigo Mineral Assets

### 5.1 Location and background

The Bendigo Goldfield is located some 130 km north-northwest of Melbourne, Victoria. The location of Unity Mining's tenement holdings in the Bendigo area is shown in Figure 5.1.

Figure 5.1 Location of the Bendigo mineral tenement holdings



Source: Bendigo information memorandum March 2013

Gold was discovered at Bendigo in 1851 and over 22 million ounces of gold was produced from the goldfield over the next century. The goldfield covers an area of about 64 km<sup>2</sup> and the majority of the gold production was from underground mines,

which are located beneath the modern city of Bendigo. Mining of the historic workings ceased in 1954 due to the inability to effectively dewater the mines, poor ventilation, and uneconomic margins.

WMC Limited (WMC) acquired most of the mining tenements over the goldfield and carried out extensive exploration between 1978 and 1993, spending \$28 million on exploration, research, and underground development. Bendigo Mining NL (which subsequently became Bendigo Mining Limited, BML) acquired the WMC leases and control of the whole goldfield in 1993. BML continued exploration, engineering studies, and exploratory mine development. By 2005, BML had completed a 5 m by 5.5 m decline (the Swan Decline) to 850 m below surface, 1.2 km of on-reef development, and 110 km of exploration drilling.

BML developed a geological model based on the occurrence of gold reefs within a series of ribbons that extended over several kilometres of strike, and were repeated at depth every 200 – 250 m. On the basis of this model and some unconventional assessment of the historical data and recent sampling, BML estimated an Inferred Mineral Resource of 23.5 Mt at a grade of 14.5 g/t gold, and a small Indicated Resource and Probable Ore Reserve.

In 2006 after a \$140 million capital raising, BML constructed a 600,000 tpa gold processing plant at Kangaroo Flat, and commenced full-scale underground mine production from the Deborah and Sheepshead lines of mineralisation. Production was suspended after only eight months, when it was recognised that there were major errors in the estimation of the size and quality of the initial reserves. It was also recognised that the very large estimate of Inferred Resources was invalid and it was therefore written off.

From 2009 to 2011, BML continued to carry out trial mining at Bendigo, before the readily-accessible ore was depleted. During the life of the Kangaroo Flat operation, BML mined about 720,000 t at 6.7 g/t Au. Although the mine was generally able to replace production with new ore, it was never able to build up a substantial accumulation of reserves, due to the sporadic occurrence of payable gold within the ribbons, and the difficulty of determining local grades from drillhole samples. With the company's focus moving to the Henty Gold Mine and the development of the Dargues Project, the Bendigo Mine was placed on care-and-maintenance, and dewatering ceased. Total production from BML is shown in Table 5.1.

In February 2011, BML entered into a farm-in agreement with Drummond Gold, allowing Drummond Gold to explore on the exploration leases that surrounded the Bendigo Goldfield. The terms of the agreement were for Drummond to spend a minimum of \$500,000 by 30 November 2011, after which Drummond would have the right to withdraw from the agreement, or spend a further \$5 million within three years to earn 51% interest in the Bendigo tenements. Drummond spent over \$750,000 on reinterpretation of regional aeromagnetic and gravity survey data, and drilling of 53 RC holes to test for black shale sediment hosted gold mineralisation. Anomalous pathfinder metals were reported, but no significant gold mineralisation. Drummond withdrew in the December quarter of 2012.

In February 2012, Catalyst Metals Limited (Catalyst) signed a 12 month option agreement to acquire the Bendigo assets, including the tenements and Kangaroo Flat gold plant. The deal was effectively terminated later that year when it became apparent that Catalyst did not have an immediate need for the gold plant, and Unity Mining was considering moving some components of the plant to Dargues Project.

**Table 5.1** BML production at Bendigo

|                            | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | Total   |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|
| Ore mined (t)              | 40,500  | 208,000 | 8,200   | 152,200 | 190,500 | 121,500 | 720,900 |
| Ore processed (t)          | –       | 175,966 | 7,547   | 148,769 | 205,782 | 183,485 | 721,549 |
| Grade (g/t Au)             | –       | 5.4     | 3.0     | 8.5     | 6.2     | 4.1     | 5.9     |
| Metallurgical recovery (%) | –       | 88      | 87      | 91.1    | 89.5    | 84.3    | 88      |
| Gold produced (oz)         | –       | 26,735  | 641     | 36,929  | 36,649  | 20,263  | 121,217 |

Source: Unity Mining

## 5.2 Geology and mineralisation

### 5.2.1 Regional geology

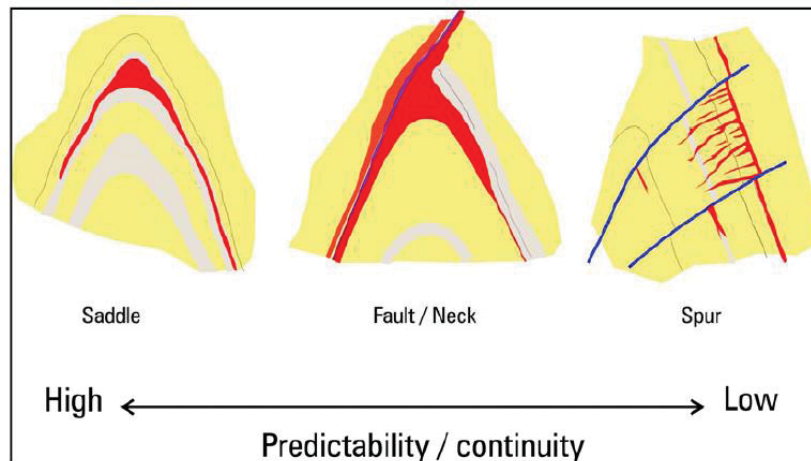
The Bendigo Goldfield lies within the Broken Hill – Bendigo tectonic corridor of the Lachlan Fold Belt. Gold mineralisation occurs within a sequence of Lower Ordovician turbidites within the Castlemaine Supergroup.

### 5.2.2 Local geology

The host rocks to the gold mineralisation consist of alternating fine-grained (shale) and coarse-grained (sandstone) sediments deposited in a deep marine environment. The sediments have been buried, metamorphosed, and compressed to form at least 37 anticlinal fold structures. The goldfield has also been extensively disrupted by faulting and fracturing. Gold mineralisation was deposited preferentially where suitable structural features, such as the hinge zones of the anticlines and associated faults, intersected the main shale horizons. Typical anticlinal structures are shown in Figure 5.2. The gold is typically coarse-grained, and occurs in association with abundant quartz veining and minor sulphides.

Seventeen of the anticlines have demonstrated gold mineralisation. The majority of gold production came from the five main anticlines towards the centre of the field.

Figure 5.2 Schematic cross sections through several reef types at Bendigo



Source: Bendigo information memorandum March 2013

### 5.3 Mineral Resource potential

BML completed the huge task of researching all the historical records for the goldfield and compiling a comprehensive digital database of drillhole information, interpreting geology, and reconstructing 3D models of the mine workings. Despite this scientific effort and five years of exploratory mine development and gold production, the coarse-grained nature of the gold and the erratic distribution of payable gold accumulations within the ribbons and structural traps have defied attempts to reliably and cost-effectively define resources, even at the Inferred level.

There is undoubtedly potential for discovery of more gold mineralisation within the Bendigo Goldfield, however the challenge of defining substantial ore reserves on which to base a long-term profitable mining operation remains unresolved.

### 5.4 Overview of the Bendigo Assets

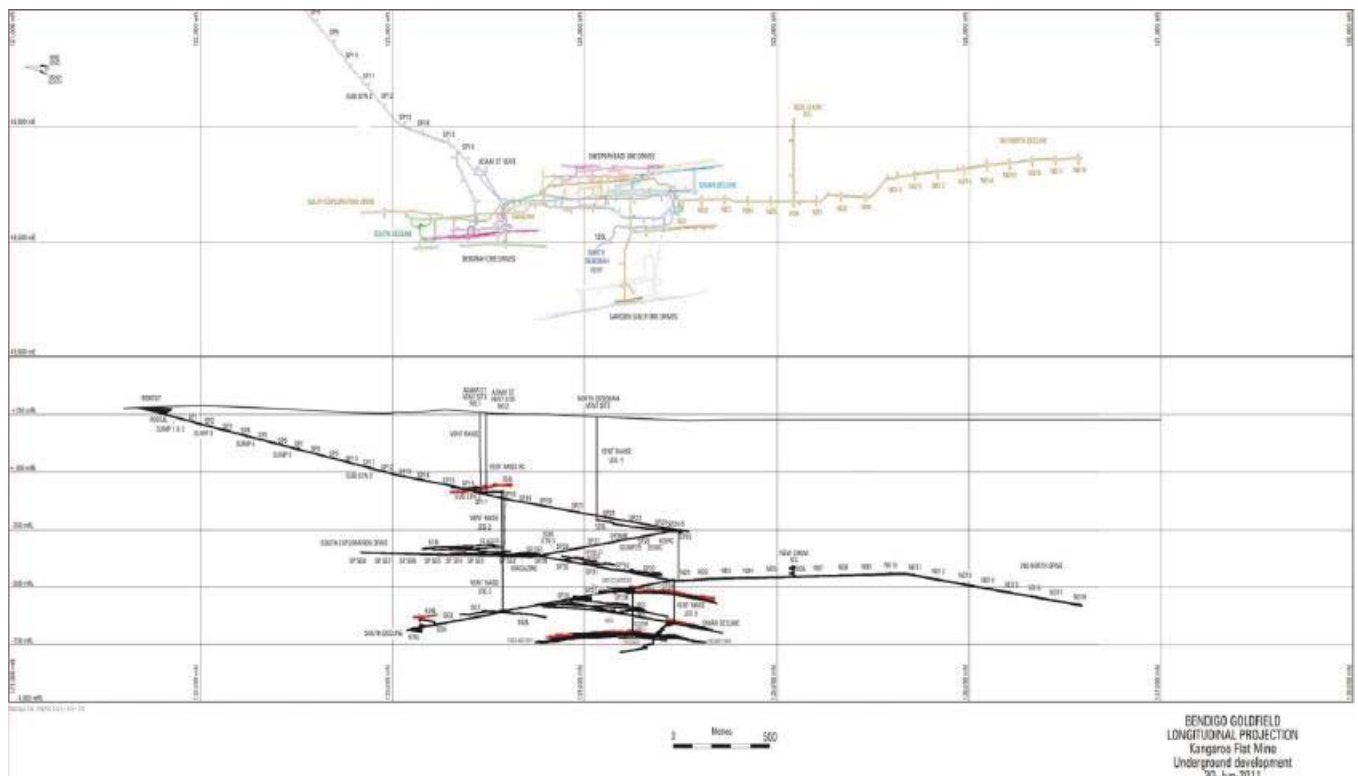
The key components of the Bendigo Assets comprise the Kangaroo Flat mine, processing plant, waste rock and tailings storage facilities, offices, workshops and other supporting infrastructure. The surface facilities are located on a compact site close to the Bendigo urban environment. The site is well designed to minimise the impact of the operation on the local community.

#### 5.4.1 The Swan Decline

The Swan Decline is accessed via a boxcut and portal. The decline and mine workings are currently unventilated and are reported by Unity Mining to be flooded to a depth of approximately 300 m below the portal. Prior to closing, an estimated 18 L/s of mine water was pumped from the Swan Decline workings. The water level is reported to have stabilised as a result of hydraulic connections between the Swan Decline and the historical mine workings. Significant mine development was carried out by BML using modern trackless equipment. Generally good rock mass conditions were encountered throughout most of the workings. Two raisebored ventilation shafts connect the mine workings to the surface. The extent of the underground development work carried out by BML is shown in Figure 5.3.



Figure 5.3 Plan view and long projection of the Swan Decline



Source: Bendigo information memorandum March 2013

#### 5.4.2 Kangaroo Flat processing plant

The Kangaroo Flat processing plant was built in 2006 at a cost, including supporting equipment, of approximately \$65 million. The plant has a design capacity of 600,000 tpa. The process flowsheet incorporates three-stage crushing, which includes high-pressure grinding rolls (HPGR), grinding in a standard 750 kW ball mill, and intensive gravity processing, which includes inline pressure jigs, spinners, and a Falcon concentrator. The gravity concentrate is further upgraded on Wilfley and Gemini tables, and the final concentrate subjected to an in-line intensive leach (ILR). The ball mill cyclone overflow is introduced to a sulphide flotation circuit, with the gold in the flotation concentrate recovered via CIL processing. Gold is recovered from the leach solutions using electrowinning cells, with the cathode material and gold sludge roasted and smelted to produce gold doré bars.

AMC understands that the Falcon concentrator has not been in use, as the tonnage of coarse material produced was insufficient to justify operation of the concentrator. However, sufficient gravity concentrate was obtained from the jigs, spinners and tables for processing in the ILR, with anecdotal evidence that up to 80% of the total gold was recovered via the gravity circuit.

The processing plant is fully enclosed in Colorbond structures with added insulation material, to limit noise and dust pollution from the operation. Facilities associated with the processing plant include transformers, motor control room and switchgear, a laboratory, and a gold room. A view of the plant is shown in Figure 5.4. The flotation cells are shown in Figure 5.5.

The processing equipment in general appears to be in a reasonable condition. A scheduled care-and-maintenance plan is in place, with equipment rotated as required, and the mill inch-drive engaged as per the schedule to ensure bearings and other moving parts remain in working order.

#### 5.4.3 Tailings storage areas

The process generates three separate tailings streams, i.e. fine flotation tailings, coarse or sand flotation tailings, and cyanide leach tailings, which were deposited in three separate TSFs. The leach tailings were recently recovered for reprocessing. The coarse flotation tailings have been covered with waste rock, the fine flotation tailings have been covered with a polymer coating to prevent the generation of dust.

Figure 5.4 Kangaroo Flat gold processing plant



Figure 5.5 Kangaroo Flat flotation circuit



#### 5.4.4 Offices, workshops and other facilities at Kangaroo Flats

The Kangaroo Flat site includes a large four-bay workshop, covered stores buildings, change rooms, laboratory, an offices complex, and carpark. The facilities are generally in good condition.

#### 5.4.5 New Moon water treatment plant

During the operation of the mine, water from the Swan Decline was piped to a water treatment plant at the New Moon site located on MIN5344. The plant comprises tanks, filters, a reverse osmosis plant, and chemical storage facilities. The plant has a reported design capacity of 5 ML/day generating clean water suitable for beneficial use. During operation, the concentrated brine from the plant was pumped to an evaporation facility at Woodvale on lease MIN5364. The plant is not currently operating, and has been on care-and-maintenance since 2008. Unity Mining has a licence agreement with a State Government of Victoria entity (Vic Roads) for the use of a road reserve for the pipeline between the New Moon site and the Woodvale evaporation facility.

#### 5.4.6 Woodvale evaporation facility

The Woodvale evaporation facility is located approximately 12 km north-west of Bendigo. The site comprises a number of evaporation ponds and has an area of approximately 144 ha. Apart from fencing and pipework, there are no buildings or other facilities at the site.



## 5.5 Estimated salvage value of the Kangaroo Flat and New Moon assets

AMC has not compiled an inventory, or carried out a survey of condition of the Kangaroo Flat processing plant and associated facilities, or of the New Moon water treatment plant and no detailed valuation of the equipment has been carried out. However, Table 5.2 shows the major process equipment items, which could potentially be sold to other operations, if the Kangaroo Flat processing plant were to be dismantled and sold.

**Table 5.2** Major equipment items

| Equipment                         | Type                         | Number | Size/Capacity |
|-----------------------------------|------------------------------|--------|---------------|
| Primary Crusher                   | Jaw crusher - 800/80         | 1      | 150 tph       |
| Secondary Crusher                 | Cone crusher - 80/25         | 1      | 150 tph       |
| Course Ore Screen                 | Double-deck vibrating screen | 1      | 65 mm / 25 mm |
| Fine Ore Bin                      | Steel bin                    | 1      | 1,500 t       |
| Rolls Crusher                     |                              | 1      |               |
| Grinding Roll                     | HPGR                         | 1      | 75 tph        |
| Mill Screen                       | Vibrating screen             | 1      | 4 mm          |
| In-line Pressure Jigs             | Pressure jig                 | 3      | 100 tph       |
| In-Line Spinners                  | Centrifugal spinners         | 4      | 30 tph        |
| Gravity Screen                    | Vibrating screen             | 1      | 2 mm          |
| Falcon Concentrator               | SB2500                       | 1      | 206 tph       |
| In-line Leach Reactor             | Intensive leach reactor      | 1      | 0.32 tph      |
| Ball Mill                         | Ball Mill – 3.2 x 6 m        | 1      | 750 kW        |
| Float Feed Thickener              | High rate Auto-Dil™          | 1      | 74.7 tph      |
| Flotation Cells                   | Tank flotation cells         | 5      | 20 min        |
| Concentrate Thickener             | High rate thickener          | 1      | 3.4 tph       |
| Flotation Tails Thickener         | High rate Auto-Dil™          | 1      | 17.8 tph      |
| Carbon Screen                     | Vibrating                    | 1      | 800 µm        |
| Flotation Concentrate Leach Tanks | Conventional                 | 7      | 16 hrs        |
| Acid Wash Column                  | Conventional                 | 1      | 4 hrs         |
| Elution Column                    | Zadra                        | 1      | 16 hrs        |
| Carbon Regeneration Kiln          |                              | 1      | 18 kg/h       |
| Electrowinning Cells              | 16 cathodes / cell           | 2      |               |
| Bullion Furnace                   | Calcine oven                 | 1      | 50 kg / 800°C |
| Wilfley Tables                    | Gravity table                | 1      | 0.51 tph      |
| Gemini Table                      | Gravity table                | 1      | 0.51 tph      |

Source: Unity Mining

Based on AMC's experience of the sale of second-hand mineral processing plant equipment, the location of the Kangaroo Flat processing plant relative to potential buyers, and the current economic environment, AMC estimates the total salvage value of the equipment to be between \$1.0 million and \$2.0 million.

Some of the buildings and steel structures with insulated colorbond cladding may have potential for commercial/industrial use within the local area, and may have a salvage value between \$0.20 million to \$0.45 million.

It should be noted that the processing plant and associated infrastructure would have significant value if their continued use in their current location were possible.

The condition of the New Moon water treatment plant is unknown but it is expected to have little salvage value.

## 5.6 Approvals, environment and community

### 5.6.1 Mining and property tenure

The tenements and land parcels on which the Bendigo Assets lie are held under various forms of title:

- The Kangaroo Flat mine site (MIN5344) is located on Crown Land, managed by the Department of Sustainability and Environment.
- The New Moon site (MIN5344) is located on Crown Land (Bendigo Regional Park), managed by the Victorian government.
- The Woodvale evaporation facility (MIN5364) is located on freehold land owned by Bendigo Mining Limited, now Unity Mining (BML Work Plan variation 2010).
- Small size Mining Licences MIN4878.
- Exploration Licences EL5035 and EL3237. MIN5344 and MIN5364 are located within the exploration licences.

Unity Mining also acquired a 90 ha parcel of land near St Arnaud, approximately 105 km west of Bendigo, for the purpose of setting this area aside as an environmental offset. This parcel of land is set aside as an environmental reserve in perpetuity.

### 5.6.2 Compliance with regulatory requirements

The sites are currently in care-and-maintenance, with minimal rehabilitation or operational activities occurring. During operations, BML operated an integrated health, safety, environment and community management system aligned with Australian Standards AS4801 and ISO14001.

Quarterly environmental reports prepared by Unity Mining between December 2014 and September 2015 all state environmental monitoring within compliance, with no community contacts or complaints, and no corrective actions required. The most recent independent annual hydrogeological review report of the Woodvale evaporation facility did not identify any significant non-compliance issues.

The Draft Mine Closure Plan (URS, 2013) noted that there were a number of minor environmental incidents, which resulted in the uncontrolled discharge of substances that contaminate the soil or water resources. The plan also noted that all incidents have been adequately managed and remediated to the satisfaction of DPI, and require no further action.

### 5.6.3 Pre-existing environmental liabilities

The MIN5344 licence area encompasses the vast majority of mining works of the Bendigo goldfields. There is an extensive amount of mining disturbance that pre-dates the grant of MIN5344 that is unlikely to have been rehabilitated. Unity Mining has previously acquired a number of separate mining tenements to consolidate mining rights across the Bendigo goldfields.

A Draft Kangaroo Flat Mine Closure Plan (URS, 2013) did not specifically identify any conditions that would require Unity Mining to rehabilitate any pre-existing land disturbance. The acquisition of previous mining tenements, and inheritance of previous land disturbance liabilities, is not discussed in the mine closure plan.

### 5.6.4 Social and community impact management

Nearest sensitive receptors are approximately 200 m from the Kangaroo Flat site and from other areas that will require rehabilitation on closure. Noise, dust, visual amenity, lighting, and other amenity issues will need to be considered during rehabilitation work, or in the event of future mining activities taking place at the site.

### 5.6.5 Security deposits, mine closure, and rehabilitation

The 2015 Annual Report states that bank term deposits totalling \$5,658,000 are used as security for environmental rehabilitation commitments associated with the Kangaroo Flat site. Bank guarantees of \$5,658,000 have been lodged for rehabilitation obligations with the Victorian Minister for Natural Resources and Energy.

Unity Mining has advised that the security bonds shown in Table 5.3 apply to Unity Mining's Bendigo tenements.

**Table 5.3 Breakdown of rehabilitation deposits**

| Tenement     | Site              | DPI Bond Review Dec 2013 |
|--------------|-------------------|--------------------------|
| MIN5344      | Kangaroo Flat     | 3,534,363                |
| MIN5344      | Eaglehawk Mine    | 177,243                  |
| MIN5344      | New Moon          | 222,817                  |
| MIN5364      | Woodvale          | 1,715,000                |
| MIN4878      | Whip & Jersey     | 1,000                    |
| MIN4872      | ex GBGM (west)    | 5,000                    |
| MIN4622      | ex GBGM (east)    | 5,000                    |
| EL5035       | –                 | 10,000                   |
| EL3327       | –                 | 10,000                   |
| Vic Roads    | Woodvale pipeline | 30,000                   |
| <b>Total</b> | <b>–</b>          | <b>5,710,423</b>         |

Source: Unity Mining

Draft mine closure plans have been prepared by URS Australia Pty Ltd for the Kangaroo Flat and the New Moon sites. The plans provide a detailed description of the rehabilitation work required and the associated cost. The plans were prepared in July 2013. The closure costs were calculated in accordance with the Victorian Government's security bond calculator. The costs approximately align with the bonds shown in Table 5.3.

In addition to the detailed closure plans for the Kangaroo Flat and New Moon sites, Unity Mining has prepared detailed estimates of the closure cost of the Eaglehawk and Woodvale sites using the Victorian Government's security bond calculator. The cost estimates were prepared in 2013 and formed the basis of the bonds lodged for these sites. Based on the

information provided, it appears that security bonds were, in 2013, estimated in accordance with the appropriate methods, and endorsed by the then Department of Primary Industries.

The Victorian Minister for Energy and Resources has recently requested an accredited environmental auditor to undertake an updated assessment of the three mining licence areas (MIN4878, MIN5344 and MIN5364). The request is based on advice that departmental staff believe that rehabilitation costs are likely to exceed current security bond deposits for mining leases.

In preparation for the assessment, Unity Mining is carrying out an internal update of the rehabilitation costs. Based on AMC's discussions with Unity Mining and a brief review of the internal updating process, AMC considers that an increase roughly in line with inflation since July 2013 can be expected.

Because of the pre-existing land disturbances on the tenement, AMC notes that there is a risk for potential rehabilitation liabilities to extend beyond the items identified in the closure plans.

## 6 Exploration valuation

Unity Mining holds six contiguous exploration licences in the Henty region, two exploration licences adjacent to the Dargues Project mining lease, and two exploration licences that are contiguous with the Bendigo mining lease. AMC has used non-income based exploration valuation methods to estimate a market value for each of these projects.

### 6.1 Valuation methods

"Value is the fair market value of a mineral or petroleum asset or security. It is the amount of money (or the cash equivalent of some other consideration) for which the asset should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion" (VALMIN 2005). Values for exploration properties vary widely with time and also with the nature of the deal, the purpose of the valuation, and the strategic value of the property to the hypothetical buyer.

The valuation of exploration projects, particularly those for which it is not possible to quantify Mineral Resources, is very subjective. There are, however, several generally-accepted procedures to value exploration projects and AMC has used such methods as appropriate to arrive at balanced judgments of value.

Where possible, AMC uses more than one method before selecting the valuation appropriate to that project. Values are rounded, and outliers in contributing estimates sometimes excluded. For the valuation of Unity Mining's Mineral Assets, AMC has considered the following valuation methods:

#### The Multiples of Exploration Expenditure Method

The multiples of exploration expenditure (MEE) method considers the relevant and effective past exploration expenditure to derive a base value for a tenement. This value is multiplied by a prospectivity enhancement multiplier (PEM), generally between 0.5 and 3.0. The selection of PEM value is subjective but the following scale is commonly used as a guideline:

1 = Exploration to date justifies the next stage of exploration.

2 = Strong indications of potential for economic mineralisation have been identified and there are untested targets or anomalies.

3 = Potentially "ore grade" intersections have already been intersected, indicating high potential for discovery of economic mineralisation.

#### The Yardstick Value Method

Yardstick values can be used for properties where a Mineral Resource has been quantified. A value per contained unit of metal (for example, ounces of gold, pounds of copper) or metal equivalent (based on treatment recoveries and net smelter return factors) is assigned to an actual Mineral Resource, or to a preliminary mineralisation estimate. The yardstick values AMC has considered are based on assessment of transactions in recent years.

#### Actual or Comparable Transaction Method

A value is determined by reference to either actual transactions for the property in question, or to recent transactions for projects considered to be similar to those under review. Comparable transactions are normally converted to a value per unit area.

#### Joint Venture Terms Method

Many transactions on exploration tenements are of a farm-in nature, and AMC estimates a "cash equivalent" value for them by assessing the terms of the "deemed expenditure" on the property at the time of the deal, discounted by a time and probability factor for the likelihood that the farm-in will complete its earning requirement. AMC adjusts the resulting value in consideration of any other terms of the joint venture, or for the results of work carried out since the commencement of the farm-in.

## 6.2 Comparable transactions

AMC reviewed market transactions reported between 2013 and 2015 for Australian gold projects in which a whole or partial interest was sold. Projects located in Western Australia or the Northern Territory were excluded from the analysis because the physical, regulatory, and social environment for gold project development is significantly more favourable in these states than those in which Unity Mining operates.

21 transactions involving properties with reported Mineral Resources +/- Ore Reserves were initially identified. These were reduced to 10 after excluding outliers, less relevant transactions, and transactions with only Inferred Resources. In the 10 relevant transactions, the price paid per ounce of gold in Ore Reserves and Mineral Resources ranged from \$2.62 per ounce to \$26.60 per ounce, with an average of \$16.46. These transactions are summarised in Table 6.1.

**Table 6.1 Relevant transactions on mineral tenements with gold Mineral Resources**

| Acquirer                          | Project                   | Date       | Transaction Value (\$) | Resources and Reserves Acquired (oz Au) | Price Paid (\$/oz) |
|-----------------------------------|---------------------------|------------|------------------------|---|--------------------|
| Kingsford Investment Groups Ltd.  | Charters Towers           | 2/03/2015  | 72.71                  | 3,000,000                               | 24.24              |
| PYBAR                             | 17% stake in Unity Mining | 28/05/2015 | 2.57                   | 96,534                                  | 26.60              |
| Investor Group                    | Challenger                | 11/12/2015 | 1.01                   | 210,000                                 | 4.83               |
| Golden Camel Mining Pty Ltd.      | Golden Camel              | 10/01/2014 | 0.38                   | 20,000                                  | 18.93              |
| Arc Exploration Ltd               | Junee                     | 11/04/2013 | 1.11                   | 61,600                                  | 18.09              |
| Mantle Mining Corp. Ltd.          | Norton                    | 11/11/2013 | 0.29                   | 109,000                                 | 2.62               |
| Hudson Resources Limited          | Mt Adrah                  | 30/06/2014 | 1.98                   | 132,440                                 | 14.97              |
| Terramin Australia Ltd            | Adelaide Hills            | 19/07/2013 | 3.95                   | 236,672                                 | 16.67              |
| Mantle Mining Corporation Limited | Morning Star              | 14/08/2015 | 3.74                   | 1,001,300                               | 3.73               |
| WPG Resources Limited             | Tunkillia                 | 22/05/2014 | 2.77                   | 878,000                                 | 2.90               |

On the basis of these transactions, AMC has applied a range from \$11.50 per ounce to \$21.40 per ounce, with a preferred value of \$16.50 per ounce, to value Mineral Resources and Ore Reserves.

## 6.3 Valuation of Henty Mining Lease and Regional Exploration Licences

Figure 4.1 shows a map of the tenements and Table 6.2 summarises some of the tenement details. Note that EL34/2010 was amalgamated into EL11/2010 in 2014.

**Table 6.2 Summary of tenement details in Tasmania**

| Tenement  | Components of Exploration Valuation | Area (km <sup>2</sup> ) | Expiry                      | Expenditure Commitment (pa) |
|-----------|-------------------------------------|-------------------------|-----------------------------|-----------------------------|
| ML7M/1991 | Mine Lease                          | 14.55                   | 1 Jun 2022                  | NA                          |
| ML5M/2002 | Extended Mine Lease                 | 5.10                    | 1 Jun 2022                  | NA                          |
| EL28/2001 | Tyndall Creek                       | 10.00                   | 10 May 2016                 | \$367,176                   |
| EL8/2009  | Red Hills                           | 11.00                   | 15 Nov 2015 Renewal pending | \$120,354                   |
| EL11/2010 | Moxon's Saddle (includes EL34/2010) | 73.00                   | 12 Sep 2016                 | \$148,290                   |
| EL13/2011 | Henty River                         | 23.00                   | 4 Oct 2016                  | \$15,999                    |

### 6.3.1 Henty Mining Leases

The Henty Mining Leases include published Mineral Resources of 1,439 kt at a grade of 4.5 g/t gold for approximately 208,000 oz of contained gold. The Ore Reserve was depleted, as planned, in November 2015. In considering the value of the Mineral Resources, AMC is cognisant that:

- There is complete mine infrastructure available at Henty.
- Ongoing drilling since July 2015 has demonstrated the potential to define additional lodes close to the mine workings.
- The Mineral Resources are remnants, and many are likely to be unminable or uneconomic to access at current costs and gold price.

Based on the comparable transactions described in Section 6.2, AMC estimates a lower value for the reported Mineral Resources of \$2.4 million and an upper value of \$4.4 million, with a preferred value of \$3.4 million.

### 6.3.2 Henty Exploration Tenements

The Henty Exploration Licences are contiguous with the Henty Mining Leases and cover rocks of the Mt Read Volcanics adjacent to the Henty Fault and other interpreted faults. The Central Volcanic Complex of the Mt Read Volcanics hosts the lead-zinc rich polymetallic VHMS deposits of Rosebery, Hercules, Que River, and Hellyer, the Henty Gold Mine, and the large copper-gold deposits of the Mt Lyell Field. It also hosts significant lead-silver mineralisation at North Farrell, an

undeveloped gold deposit at Lakeside, and abandoned gold and base metal mines at Sterling Valley and Murchison Mine. In general terms, AMC regards the package as prospective for gold and base metals mineralisation.

Exploration in the Henty region is challenging and relatively expensive due to the rugged terrain, difficult access and environmental constraints. Exploration and new project development may be seen as less attractive than in other competing jurisdictions, such as Western Australia.

AMC was unable to identify recent comparable transactions for the acquisition of exploration tenements in Tasmania without published Mineral Resources. Consequently, AMC has used the MEE method to value the exploration licences.

**EL28/2001 Tyndall Creek:** This exploration licence abuts the southern part of the Henty Extended Mine Lease and was acquired as part of the purchase of the Henty gold mine by BML. The licence covers rocks of the Central Volcanic sequence along strike from the Darwin South and Read deposits. Unity Mining spent a total of \$812,936 from 2010 to 2015 on a variety of activities including high-definition topographic mapping, compilation and review of old magnetic and geochemical data, gridding, soil sampling, and drilling of three drillholes, including one 955 m long hole. The work improved knowledge of the stratigraphy but did not identify any significant mineralisation or generate any high-priority targets for further exploration.

AMC has used the MEE method to derive a valuation for the Tyndall Creek tenement. AMC considers that the exploration expenditure since 2010 has not enhanced the prospectivity of the tenement, but has provided more background information that may be potentially useful to future explorers. AMC has therefore applied a PEM range of between 0.2 and 1.0 with a preferred multiplier of 0.6. This implies a value of between \$0.16 and \$0.81 million, with a preferred value of \$0.5 million.

**EL8/2009 Red Hills:** BML acquired EL 8/2009 through the Mineral Resources Tasmania (MRT) Exploration Release Areas process. It lies entirely within the Mount Murchison Regional Reserve (World Heritage Recommended Area for Protection). Any future exploration activity in the EL area requires assessment by and approval from the Mineral Exploration Working Group (MEWG). A major portion of EL8/2009 is underlain by the Cambrian Mount Read Volcanics. Three principal styles of mineralisation have been identified in the Red Hills area:

- Stratabound base metal sulphides-gold-silver VMS mineralisation discovered in 1977 at Red Hills by Mt Lyell Mining and subsequently explored by CRA-Aberfoyle and Newcrest.
- Vein and disseminated copper-gold-magnetite mineralisation associated with chlorite-feldspar alteration of the Red Hills lava. Earliest prospecting and small-scale mining activity was concentrated on this type of mineralisation, as at the Northern Adits area.
- Gold mineralisation, associated with pyrite veining in dacitic volcanics.

Unity Mining spent a total of approximately \$582,000 from 2010 to 2015, primarily on further testing of the VMS mineralisation at Red Hills. The work confirmed the mineralisation as an isolated pod with little economic potential. Rock chip sampling was carried out around the Northern Adits returning a few anomalous gold grades. Overall, the expenditure by Unity Mining has not increased the prospectivity of the tenement or generated any high-priority targets for further exploration.

AMC has used the MEE method to derive a valuation for the Red Hills tenement. AMC considers that the exploration expenditure since 2010 has not enhanced the prospectivity of the tenement. AMC has therefore applied a PEM range of between 0.2 and 1.0 with a preferred multiplier of 0.6. This implies a value of between \$0.12 and \$0.58 million, with a preferred value of \$0.35 million.

**EL11/2010 Moxon's Saddle:** The Exploration Licence was acquired by Unity Mining in August 2010, after the exploration licence was relinquished by Bass Metals in August 2009. It covers a 2 km section of the Mount Read Volcanics, and is mapped as containing lavas, intrusives, volcanoclastics, minor pyroclastics, and epiclastic sediments. The Henty fault traces across the northwest corner of the licence. Minor alteration, with pervasive silica, hematite, pyrite cubes, and quartz-hematite veins are present.

Unity Mining spent approximately \$212,000 on a high-resolution topographic survey, a drillhole, and some rock chip sampling. No significant mineralisation was identified. There remain some weak geochemical anomalies that Unity Mining proposed to investigate by further drilling.

EL11/2010 has incorporated EL34/2010 since 2014. EL34/2010 was acquired by BML through the MRT Exploration Release Areas process. It covers over 10 km of the Henty Fault and includes abandoned lead-zinc-copper-silver mines at Farrell and a zone of gold-antimony-tin-tungsten-arsenic-silver-zinc mineralisation extending from the Sterling Valley to the Lakeside Prospect. A gold deposit was defined by previous explorers at Lakeside and Unity Mining reported an Inferred Resource of 750,000 t at 2.8 g/t gold in 2012.

Unity Mining spent approximately \$1,882,000 on EL34/2010 from 2010 to 2015. Over half of this was on drill testing the Lakeside gold deposit, the lead-zinc deposit beneath the old North Farrell mine and the gold-tin-zinc-lead-silver mineralisation at the old Murchison Mine. None of this work identified potentially economic mineralisation or added value to the tenement. Unity Mining ceased reporting Mineral Resources for Lakeside in 2013. The remaining exploration expenditure was directed towards exploration of the Mt Read Volcanics for Henty-style mineralisation. Two holes were drilled; both intersected Henty-style alteration but without significant gold mineralisation and only minor base metal anomalies.



AMC has used the MEE method to derive a valuation for the Moxon's Saddle tenement. AMC considers that the exploration expenditure since 2010 has not enhanced the prospectivity of the tenement. The expenditure on testing of the Lakeside, North Farrell, and Murchison sites has not added to the understanding of the broader geology and has been discounted by AMC. The remaining \$1.0 million of expenditure may provide some value as regional information for future explorers. AMC has used the MEE method to derive a valuation for the Red Hills tenement. AMC considers that the exploration expenditure since 2010 has not enhanced the prospectivity of the tenement. AMC has therefore applied a PEM range of between 0.2 and 1.0 with a preferred multiplier of 0.6. This implies a value of between \$0.2 and \$1.0 million, with a preferred value of \$0.6 million.

**EL13/2011 Henty River:** Unity Mining acquired EL13/2011 through the MRT Exploration Release Areas process. It covers the North and South Henty Faults and a range of Cambrian volcanic, volcanoclastic and sedimentary rocks. Disseminated and vein lead-zinc mineralisation was mined from the Henty Adits in the 19<sup>th</sup> Century. The area has been extensively explored over the last 40 years, primarily for base metal deposits. The tenement covers an area where a volcanic-sedimentary sequence, of similar age and nature to the Henty sequence, lies adjacent to the Henty Fault.

Unity Mining spent approximately \$11,000 on EL13/2011 from 2011 to 2015. Progress was limited due to the very steep terrain, dense forestry, poor condition of access tracks, and shortage of personnel.

The tenement has already been extensively explored by previous tenement holders, was relinquished by the previous holder, and has been subject to no significant exploration by Unity Mining. Consequently, AMC believes that no value can be attributed to it.

### 6.3.3 PYBAR farm-in agreement

In April 2015, Unity Mining announced the execution of a farm-in agreement with PYBAR, whereby PYBAR Group, through its wholly-owned subsidiary Diversified Minerals Pty Ltd, could earn a 30% Joint Venture interest in Henty by sole-funding \$1.0 million of drilling by 30 September 2015 (Stage 1) and a further \$1.5 million of drilling before 31 December 2015 (Stage 2). Upon earning this stake, PYBAR then has the option to complete an additional \$2.5 million of drilling (Stage 3) to earn a further 20% joint venture interest for a total of 50%.

On 21 January 2016, Unity Mining announced that Diversified Minerals had completed the \$2.5 million expenditure to earn its initial 30% interest and would now proceed to the third stage.

Using the joint venture terms method, AMC estimates a value for the Henty project of \$8.3 million of which Unity's 70% stake is valued at \$5.8 million.

### 6.3.4 Conclusion – Henty valuation

AMC's valuation of the exploration licences based on the MEE method is a range from \$0.5 million to \$2.4 million. Based on the reported Mineral Resources and the comparable transactions described in Section 6.2, AMC estimates the value of the Henty mining leases as between \$2.4 million and \$4.4 million. Combining the two, results in a valuation of between \$2.9 million and \$6.8 million.

As a consequence of PYBAR's farm-in, Unity's ownership is reduced to 70%, implying a value from \$2.0 million to \$4.8 million. Unity's 70% stake, valued by the joint venture terms method, is \$5.8 million, which in AMC's opinion is a reasonable reflection of the enhanced potential to define additional Mineral Resources as a consequence of PYBAR's investment in additional drilling. In conclusion, AMC estimates the value of Henty tenements at \$5.8 million.

## 6.4 Valuation of Dargues regional Exploration Licences

The Exploration Licences surrounding the Dargues Project, also known as the Majors Creek exploration project area, covers the Braidwood Granodiorite, which hosts at least 24 other small historic hard rock mines, including Snobs, United Miners, Dunsheas, Big Hill, Rise & Shine and Camages, all of which have verified historic head grades ranging from ¼ to 4 ounces per ton. The project also covers part of the old alluvial mining areas along Jembaicumbene Creek. The Dargues deposit is one of the potential sources of the extensive alluvial gold occurrences in the region. Table 6.2 summarises the tenement details.

The Majors Creek Project has been actively explored since its acquisition by Cortona in 2006. Exploration activities include regional geological mapping, rock chip sampling programmes, plus 40,000 m of RC and diamond drilling, extensive soil geochemistry programmes as well as compilation of comprehensive geophysical surveys such as heli-magnetic, gravity, induced polarization and remote sensing imagery. Cortona spent approximately \$6 million on the exploration licences up to the completion of the 2010 Feasibility Study but without identifying economic mineralisation outside the Dargues deposit.

Unity Mining acquired the Dargues regional tenements with the conclusion of a merger with Cortona in January 2013. Unity Mining continued the exploration programmes that were being pursued by Cortona, including soil sampling, gradient array IP survey, geophysical data processing, and satellite mineral mapping (remote sensing).

**Table 6.3 Summary of tenement details around the Dargues Project**

| Tenement | Components of Exploration Valuation  | Area (km <sup>2</sup> )       | Expiry    | Expenditure Commitment (pa) |
|----------|--|-------------------------------|-----------|-----------------------------|
| ML1675   | Dargues. Considered fully valued in Dargues Project. ML1675 combines the old ML103 and part of the old EL6003.   | 317 ha                        | 12/4/2024 | NA                          |
| EL8372   | Majors Creek. Braidwood Granite. Numerous small old shafts and prospecting pits. Most first order exploration targets drill tested with only sporadic gold mineralisation intersected. No Mineral Resources defined. Minor or second order geophysical and other targets remain. EL8372 combines the old EL6462 and EL6003 licences. | 83 units, 249 km <sup>2</sup> | 20/5/2018 | \$61,500                    |
| EL6548   | Eurodux. Lightly explored area of granite with no recorded gold production. Soil sampling indicates potential for porphyry-related copper-molybdenum mineralisation rather than gold.  | 63 units, 189 km <sup>2</sup> | 4/4/2017  | \$36,300                    |

Unity Mining acquired the Dargues regional tenements with the conclusion of a merger with Cortona in January 2013. Unity Mining continued the exploration programmes that were being pursued by Cortona, including soil sampling, gradient array IP survey, geophysical data processing, and satellite mineral mapping (remote sensing).

In estimating a value for the Major's Creek exploration licences, AMC has taken the view that little value can be attributed to the work on the exploration licences prior to the 2010 Feasibility Study because the targets generated by that work have largely been tested and returned negative results. From 2011 to 2012, emphasis switched from testing the Dargues deposit to finding additional deposits. The annual expenditure on the exploration licences reported to the NSW Department of Industry Resources and Energy from this time until the present was \$2,174,447.

All the significant historical gold workings and first order geochemical and geophysical exploration targets within the Majors Creek Project have now been tested. The most recent soil sampling did not result in the discovery of strong gold anomalies except in areas close to historical workings and the geophysical surveys have not produced strong targets. There remain some geochemical anomalies and small geophysical targets but none suggest the presence of a large gold-mineralised body.

AMC has used the MEE method to derive a valuation for the exploration licences. AMC considers that the exploration expenditure since 2011 has failed to identify significant mineralisation or enhance the prospectivity of the tenement. AMC has therefore applied a PEM range of between 0.2 and 1.0 with a preferred multiplier of 0.6. This implies a value of between \$0.4 and \$2.2 million, with a preferred value of \$1.3 million.

The most valuable geological assets of the project are the Mineral Resource and the Ore Reserve at the Dargues Project. These may be valued by discounted cash flow based on a production case. Alternatively, since the mine operations plan has not yet been finalised and approved in a viable form, the Mineral Resources and Ore Reserves may be valued in the context of a Pre-development Project. Based on the comparable transactions described in Section 6.2, AMC estimates a lower value for the reported Ore Reserves and Mineral Resources of \$3.8 million and an upper value of \$7.0 million, with a preferred value of \$5.4 million.

## 6.5 Valuation of Booth's, Gundagai and Tumut Exploration Licences

Unity Mining holds four Exploration Licences in central NSW, as summarised in Table 6.4.

**Table 6.4 Summary of tenement details in central NSW**

| Tenement | Name         | Area (km <sup>2</sup> ) | Expiry     | Expenditure Commitment (pa) |
|----------|--------------|-------------------------|------------|-----------------------------|
| EL6012   | Booths       | 4 units                 | 21/10/2017 | \$34,000                    |
| EL8373   | Booths South | 4 units                 | 20/5/2018  | \$22,000                    |
| EL8243   | Gundagai     | 19 units                | 19/3/2016  | \$29,500                    |
| EL8244   | Tumut        | 16 units                | 7/3/2016   | \$28,000                    |

Unity Mining advised AMC that these tenements are not of a material value and therefore AMC has not reviewed data from these tenements nor provided a valuation.

## 6.6 Valuation of Bendigo Mining Lease and Regional Exploration Licences

Unity Mining holds leases comprising the Bendigo Project in Victoria, as summarised in Table 6.5.

**Table 6.5 Summary of tenement details in Victoria**

| Tenement | Components of Exploration Valuation   | Area (km <sup>2</sup> ) | Expiry                         | Expenditure Commitment (pa) |
|----------|---|-------------------------|--------------------------------|-----------------------------|
| MIN5344  | Bendigo goldfield   | 42.75                   | 9 Aug 2017                     | \$3,850,000                 |
| MIN5364  | Woodvale. Small lease held for the purpose of evaporating water pumped from the Bendigo workings. No significant identified value.  | 1.74                    | 16 Aug 2017                    | \$0                         |
| EL3327   | Bendigo. Covers the area along strike from the Bendigo Goldfield and parts of the prospective Whitelaw Fault, which runs parallel to and may be a conduit for, the Bendigo ribbons. | Approx. 455             | 16 Sep 2015<br>Renewal pending | \$470,000                   |
| EL5035   | West Bendigo  | Approx. 114             | 5 Jun 2017                     | \$72,000                    |

Valuation of the Bendigo assets is particularly challenging. On the one hand it is a remarkably well-endowed goldfield but on the other hand all attempts to cost-effectively define orebodies, and develop sustainable gold operations since 1954 have been unsuccessful due to the complexities of the geology and the erratic nature of the gold mineralisation. There is no defined Mineral Resource that could be valued by comparison with other transactions and although a vast amount of money has been spent on exploration, AMC does not believe that a Multiples of Exploration Expenditure (MEE) approach is appropriate.

In assessing the value of the Bendigo Exploration Licences, AMC has considered the purchase by Nagambie Mining in June 2014 of Exploration Licences covering the historic Clonbinane goldfield in central Victoria. The value of this transaction was approximately \$1,900 per km<sup>2</sup>. Applying this value to the Bendigo Exploration Licences would suggest a value for the leases of the order of \$1.1 million.

Relevant transactions are:

- In February 2011, BML entered into a farm-in agreement with Drummond Gold, allowing Drummond Gold to explore on the exploration leases that surrounded the Bendigo Goldfield. The terms of the agreement were for Drummond to spend a minimum of \$500,000 by 30 November 2011, after which Drummond would have the right to withdraw from the agreement or spend a further \$5 million within three years to earn 51% interest in the Bendigo tenements. Drummond spent over \$750,000 on reinterpretation of regional aeromagnetic and gravity survey data, and drilling of 53 RC holes to test for black shale sediment hosted gold mineralisation. Anomalous pathfinder metals were reported but no significant gold mineralisation. Drummond withdrew in the December quarter of 2012. AMC infers that Drummond valued the Bendigo Project at no more than \$750,000.
- In February 2012, Catalyst Metals Limited (Catalyst) signed a 12 month option agreement to acquire the Bendigo assets, including the tenements and Kangaroo Flat gold plant. The deal was effectively terminated later that year when it became apparent that Catalyst did not have an immediate need for the gold plant, and Unity Mining was considering moving some components of the plant to the Dargues Project. The option agreement, if taken up, entailed \$400,000 in cash payments and the issuing of Catalyst shares valued at a minimum of \$4 million and a maximum of \$10 million, plus a royalty of up to \$4 million. Assuming no net change in the Catalyst share price on exercise of the option, AMC estimates an implied value of \$8.4 million for this proposed transaction.

The availability of funds for mining and exploration companies deteriorated sharply from mid-2012 onwards.

In September 2015, Unity Mining announced the signing of a sale agreement with GBM Gold Limited (GBM) for the sale of the Kangaroo Flat gold plant, mining and exploration tenements, buildings and freehold land in the Bendigo area. Key terms of the agreement were upfront payment of \$100,000 in cash, and transfer of the Environmental Bond liability of \$5.63 million to GBM. The sale has not yet been completed. AMC considers that the value of this transaction is only \$0.1 million, plus the benefit of the removal of the environmental liability from Unity Mining's books.

Setting aside the environmental liabilities at Bendigo and the potential salvage value of the Kangaroo Flat plant, the exploration value of the Bendigo tenements in the current market is small. Furthermore, the properties have been for sale for several years, no exploration expenditure has been made on the two Exploration Licences in the last three years and they are at risk of forfeiture. AMC considers that the value of the proposed GBM transaction represents the current market value of the Bendigo tenements.

## 6.7 Summary

Table 6.6 provides a summary of AMC's non-income based exploration valuations of Unity Mining's Mineral Assets.

**Table 6.6** Summary of valuations of projects

| Tenement  | Project Name                                       | Valuation Method                     | Valuation Low (\$million) | Valuation Preferred (\$million) | Valuation High (\$million) |
|---|--|--------------------------------------|---------------------------|---------------------------------|----------------------------|
| 7M/1991, 5M/2002, EL28/2001, EL8/2009, EL11/2010, EL13/2011 | Henty  | Joint venture terms                  | 5.8                       | 5.8                             | 5.8                        |
| ML1675  | Dargues Project Ore Reserves and Mineral Resources | Comparable transactions              | 3.8                       | 5.4                             | 7.0                        |
| EL8372, EL6548  | Majors Creek Exploration Licences                  | Multiples of exploration expenditure | 0.4                       | 1.3                             | 2.2                        |
| EL3327, EL5035  | Bendigo  | Value of current sale agreement      | —                         | 0.1                             | —                          |

## 7 Qualifications

AMC is a firm of minerals industry consultants whose activities include the preparation of independent technical specialist reports, and reviews of, mining and exploration projects related to equity and debt funding. In these assignments, AMC and its subconsultants act as an independent party.



AMC has considered its independence with respect to ASIC Regulatory Guide 112: Independence of experts and is, in its opinion, independent of Unity Mining. AMC notes that:

- In 2013, AMC undertook a review of previous backfill studies by others on the Dargues Project, and in 2014 AMC undertook new backfill study work. From 1996 to 2007, AMC conducted numerous technical consulting assignments for Bendigo Mining NL, which was renamed Bendigo Mining Limited in 2008 and Unity Mining Limited in 2010. The assignments concerned the Bendigo mine.
- Neither AMC nor its subconsultants have any business relationship or association with Unity Mining other than the carrying out of individual technical consulting assignments as engaged.
- While some employees of AMC and its subconsultants may have small direct or beneficial shareholdings in Unity Mining, neither AMC nor the contributors to this report nor members of their immediate families have any interests in Unity Mining that could be reasonably construed to affect their independence. AMC has no pecuniary interest, association or employment relationship with Sumner Hall or Unity Mining and has no interest in the outcome of the Proposed Transaction.
- Unity Mining will pay AMC a fee according to AMC's normal per diem rates for professional services, for the preparation of this ITSr, plus reimbursement of out-of-pocket expenses. The fee is not contingent upon the outcome of the Proposed Transaction. AMC will receive no other benefit for the preparation of this ITSr.

In letters relating to our engagement, Unity Mining agreed to comply with those obligations of the commissioning entity under the VALMIN Code including that to the best of its knowledge and understanding, complete, accurate and true disclosure of all relevant material information will be made.

AMC has relied on the information provided by Unity Mining, and has no reason to believe that the information is materially misleading or incomplete or contains any material errors. AMC has not audited the information provided by Unity Mining, but has reviewed the information to the extent necessary to satisfy itself that the Production Case for the Dargues Project presented in this Report are based on reasonable grounds and that the information AMC has used in relation to the valuation of the exploration properties, is sufficient.

Unity Mining has been provided with drafts of our Report to enable correction of any factual errors and notation of any material omissions.

This Report and the conclusions in it are effective at 17 February 2016. Those conclusions may change in the future with changes in relevant metal prices, exploration and other technical developments in regard to the operations and projects and the market for mineral properties.

Unity Mining has provided AMC with indemnities in regard to damages, losses and liabilities related to or arising out of its engagement other than those arising from illegal acts, bad faith or gross negligence on its part, and has also provided indemnities in regard to damages, losses and liabilities related to AMC's reliance on any information received that is false, misleading or incomplete.

This Report has been provided to Sumner Hall for the purposes of forming its opinion in relation to the Proposal. AMC has given its consent for its report to be appended to Sumner Hall's report and for it to be provided to shareholders and has not withdrawn that consent before their lodgement with the Australian Securities & Investments Commission. Neither this report nor any part of it may be used for any other purpose without written consent.

The signatories to this report are corporate members of the AusIMM and are bound by its Code of Ethics.

Yours faithfully



**M Thomas**  
**MAusIMM (CP), GAICD**  
**Principal Mining Engineer**



**P A Smith**  
**MAusIMM (CP), MAICD**  
**Director/Principal Mining Engineer**

## 8 Abbreviations

|                 |   |                  |  |
|-----------------|---|------------------|--|
| \$              | Australian dollar   | oz               | ounce  |
| \$ million      | Australian dollars million  | PEM              | prospectivity enhancement multiplier   |
| AMC             | AMC Consultants Pty Ltd   | %                | Percent  |
| Ag              | silver  | QAQC             | Quality Assurance and Quality Control  |
| Au              | gold  | RC               | reverse circulation drilling   |
| CIL             | carbon-in-leach   | ROM              | run-of-mine  |
| DCF             | discounted cash flow  | t                | tonnes   |
| g               | gram  | tpa              | tonnes per annum   |
| g/t             | grams per tonne   | tph              | tonnes per hour  |
| JORC Code       | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. | t/m <sup>3</sup> | tonnes per cubic metres  |
| km              | kilometres  | TSF              | tailings storage facility  |
| km <sup>2</sup> | square kilometres   | V                | volt   |
| koz             | thousand ounces   | VALMIN Code      | Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. |
| kt              | thousand tonnes   | VMS              | Volcanogenic Massive Sulfide   |
| ktpa            | thousand tonnes per annum   |                  |  |
| kW              | kilowatt  |                  |  |
| kV              | kilovolt  |                  |  |
| M               | million   |                  |  |
| m               | metres  |                  |  |
| MEE             | multiples of exploration expenditure  |                  |  |
| ML/day          | mega litres per day   |                  |  |
| mm              | millimetres   |                  |  |
| Moz             | million ounces  |                  |  |
| Mt              | million tonnes  |                  |  |
| Mtpa            | million tonnes per annum  |                  |  |
| µm              | millionth of a metre  |                  |  |
| MVA             | Mega-Volt-Amps  |                  |  |
| NaCN            | sodium cyanide  |                  |  |
| ICP-AES         | Inductively coupled plasma atomic emission spectroscopy                                     |                  |  |
| IER             | Independent expert's report   |                  |  |
| ITSR            | Independent Technical Specialist's Report   |                  |  |

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## **Annexure B – Market Evidence Regarding Selected Comparable Gold Transactions**

**Annexure B - Market Evidence Regarding Selected Comparable Gold Transactions**

| Company/Asset Acquired    | Acquirer                            | Transaction Date | Percentage Acquired | Enterprise Value for 100% (\$ millions) | Gold (and Gold Equivalents) |            |                                   |             | Feasibility Study                  |                            |                   |                          |
|---------------------------|-------------------------------------|------------------|---------------------|---|-----------------------------|------------|-----------------------------------|-------------|------------------------------------|----------------------------|-------------------|--------------------------|
|                           |                                     |                  |                     |   | Deposit (000 ounces)        |            | Transaction Value per Ounce (A\$) |             | Assumed Gold Price (A\$ per ounce) | Capital Cost (\$ millions) | NPV (\$ millions) | Transaction Value to NPV |
|                           |                                     |                  |                     |   | Resource                    | Reserves   | Resource                          | Reserves    |                                    |                            |                   |                          |
| Phoenix Gold (PXG)        | Evolution Mining (EVN)              | Aug-15           | 100%                | 86                                      | 4,021                       | 1,159      | \$21                              | \$74        |                                    |                            |                   |                          |
| Castle Hill heap leach    | Valuation for takeover offer        | Aug-15           | 100%                | 11                                      | 1,109                       | 280        | \$10                              | \$40        | \$1,500                            | 34                         | 41                | 0.27x                    |
| Mt Henry Gold Project     | Metals X (MLX)                      | Jul-15           | 100%                | 25                                      | 1,656                       | 923        | \$15                              | \$27        | \$1,500                            | 161                        | 40                | 0.63x                    |
|                           |                                     |                  |                     |   |                             |            |                                   |             | \$1,600                            | 161                        | 80                | 0.31x                    |
| Grosvenor Gold Project    | Metals X (MLX)                      | Jul-15           | 100%                | 20                                      | 1,408                       | 420        | \$14                              | \$48        | \$1,450                            | unknown                    | 174               | 0.12x                    |
| Central Tanami Project    | Northern Star Resources (NST)       | Feb-15           | 25%                 | 80                                      | 2,672                       | 269        | \$30                              | \$297       |                                    |                            |                   |                          |
| Deflector Gold Project    | Doray Minerals (DRM)                | Oct-14           | 100%                | 41                                      | 592                         | 325        | \$69                              | \$126       | \$1,555                            | 62                         | 100               | 0.41x                    |
| Bullabulling Gold Project | Norton Gold Fields (NGF)            | Apr-14           | 100%                | 28                                      | 3,753                       | na         | \$7                               | na          | \$1,622                            | 326                        | 177               | 0.16x                    |
| Bundarra Gold Project     | Bligh Resources (BGH)               | Feb-14           | 72%                 | 3                                       | 489                         | 120        | \$7                               | \$27        |                                    |                            |                   |                          |
| Thunderbox Gold Project   | Saraeen Mining Holdings (SAR)       | Jan-14           | 100%                | 22                                      | 2,090                       | 728        | \$11                              | \$31        | \$1,500                            | 65                         | 120               | 0.19x                    |
| Polymetals Mining (PLY)   | Southern Cross Goldfields (SXG)     | Apr-13           | 100%                | 8                                       | 361                         | 76         | \$23                              | \$111       |                                    |                            |                   |                          |
| Marda Gold Project        | Valuation for scheme of arrangement | Apr-13           | 100%                | 28                                      |                             |            |                                   |             | \$1,500                            | 24                         | 61                | 0.46x                    |
| Dargues Reef Gold Project | Unity Mining (UML)                  | Jan-13           | 100%                | 25                                      | 327                         | 260        | \$75                              | \$95        | \$1,400                            | 42                         | 75                | 0.33x                    |
| Kundip/Trilogy reserves   | Silver Lake Resources (SLR)         | Mar-12           | 100%                | 19                                      | 1,079                       | 548        | \$17                              | \$34        |                                    |                            |                   |                          |
| <hr/>                     |                                     |                  |                     |   |                             |            |                                   |             |                                    |                            |                   |                          |
| <b>Average</b>            |                                     |                  | <b>31</b>           |   | <b>1,630</b>                | <b>464</b> | <b>\$25</b>                       | <b>\$83</b> | <b>\$1,514</b>                     |                            | <b>96</b>         | <b>0.32x</b>             |
| <b>Median</b>             |                                     |                  | <b>25</b>           |   | <b>1,259</b>                | <b>325</b> | <b>\$16</b>                       | <b>\$48</b> | <b>\$1,500</b>                     |                            | <b>80</b>         | <b>0.31x</b>             |

## **Annexure C – Financial Services Guide**

## **Financial Services Guide**

### **Financial Services Provided to Clients**

Sumner Hall holds AFS License No. 231214 that authorizes the company to provide financial product advice on securities and interests in managed investment schemes.

Sumner Hall provides financial product advice when Sumner Hall is engaged to prepare an independent expert's report in relation to transactions involving mergers and acquisitions. In this case, Sumner Hall has been engaged by the Directors of Unity Mining to provide general financial product advice in the form of an independent expert's report to be included in the Explanatory Booklet prepared by Unity Mining in relation to the Proposed Transaction. Sumner Hall is not acting for anyone other than the Directors of Unity Mining.

Sumner Hall does not accept instructions from retail clients. Sumner Hall does not receive any remuneration from retail clients for financial services. Sumner Hall does not provide any personal retail financial product advice to retail investors. Sumner Hall does not provide any market related advice to retail investors.

### **Responsibilities and General Advice**

When providing an independent expert's report, Sumner Hall's client is the entity to which the report is provided which, in this case, is Unity Mining. Sumner Hall receives its remuneration from that entity. No related body corporate of Sumner Hall, or any of the directors or employees of Sumner Hall or any of those related bodies corporate or any associates receives any remuneration or other benefit attributable to the preparation and provision of this report.

This report has been prepared for the Directors of Unity Mining to assist in making their recommendation to shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose or by any other party. To the extent that this report is used by any party other than the Directors of Unity Mining, this report would constitute general financial product advice only and has been prepared without taking into account the personal objectives, financial situation or other relevant criteria of shareholders. Shareholders should consider the appropriateness of the general financial product advice in this report having regard to their own circumstances before acting on the general financial product advice contained in this report. Shareholders should also consider all other parts of the Explanatory Booklet before making any decisions in relation to the Proposed Transaction.

Sumner Hall is responsible for this independent expert's report including this Financial Services Guide. Sumner Hall is not responsible for the Explanatory Booklet or any other aspect of the Proposed Transaction other than this independent expert's report. Comments, questions or complaints regarding the Explanatory Booklet or any other aspect of the Proposed Transaction other than this independent expert's report should not be directed to Sumner Hall because Sumner Hall is not responsible for that material. Sumner Hall will not respond in any way that might involve the provision of financial product advice to any retail investor.

### **Fees and Other Remuneration**

Sumner Hall charges fees for preparing reports such as this report. These fees are usually agreed with, and paid by, the recipient of the report. These fees are sometimes agreed on a fixed fee basis and sometimes on a time and cost basis. In this case, Unity Mining has agreed to pay Sumner Hall a fixed fee of \$50,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Proposed Transaction. Sumner Hall's out-of-pocket expenses in relation to the preparation of this report will also be reimbursed. Sumner Hall and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this report.

Sumner Hall does not pay commissions or provide any other benefits to any person for referring customers or clients to Sumner Hall in connection with this report.

### **Conflicts of Interest**

Sumner Hall is required to be independent of Unity Mining in order to provide this report. The guidelines for independence when preparing an independent expert's report are set out in Regulatory Guide 112 published by ASIC.

Sumner Hall has not been involved in the formulation of the Proposed Transaction. Sumner Hall's only role has been the preparation of this independent expert's report.

Sumner Hall and its related entities have not provided any services to Unity Mining or Diversified Minerals over the



past two years. Neither Sumner Hall and its related entities nor any individual involved in the preparation of this report holds a substantial interest in, or is a substantial creditor of Unity Mining or Diversified Minerals or has any other material financial interest in the Proposed Transaction.

### **Complaint Resolution**

Complaints should be sent in writing to The Complaints Officer, Sumner Hall Associates Pty Ltd, 48 Darling Point Road, Darling Point, NSW, 2027. Written complaints will be recorded, acknowledged within five days and investigated. As soon as practical, and not more than 45 days after receipt, a response will be advised in writing.

If the complaint is not satisfactorily resolved, the matter can be referred to the Financial Ombudsman Service. Sumner Hall is a member of the Financial Ombudsman Service (Member No. 35589). This service is provided free of charge to the complainant. The Financial Ombudsman Service is an independent company that has been established to provide advice and assistance to help in resolving complaints relating to the financial services industry. Further details regarding the Financial Ombudsman Service are available at their website, [www.fos.org.au](http://www.fos.org.au), or by contacting them directly at Financial Ombudsman Service Limited, GPO Box 3, Melbourne, Victoria, 2001 or by telephone on 1 300 780 808.

### **Contact Details**

Sumner Hall can be contacted as follows:

Sumner Hall Associates Pty Limited  
48 Darling Point Road  
Darling Point  
NSW  
2027

Telephone: (02) 9328-0475  
Email: [sumner.hall@bigpond.com](mailto:sumner.hall@bigpond.com)  
Web: [www.sumnerhall.com](http://www.sumnerhall.com)

## **Annexure 2**

# **Notice of Special General Meeting**

## Notice of Special General Meeting

### Unity Mining Limited (ABN 61 005 564 073) (ASX:UML) (Company)

Notice is given that a meeting of shareholders of the Company will be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria on Thursday, 31 March 2016 at 10:00am (Melbourne time).

### Business of meeting

The purpose of the Special General Meeting is to consider and, if thought fit, to pass the following as an ordinary resolution.

### Capital Return Resolution

*"That, subject to the Scheme of Arrangement being approved by the Unity Shareholders (other than the Excluded Shareholders) and the Supreme Court of Victoria (with or without modification), for the purposes of Part 2J.1 of the Corporations Act and for all other purposes, approval is given for the share capital of the Company to be reduced, without cancelling any Unity Shares, to be effected by the Company distributing to each Unity Shareholder the amount of \$0.01 (1.0 cent) per Unity Share held as at the Record Date."*

Melanie Leydin  
Company Secretary

Dated 19 February 2016

## Notes

### Background

On 7 December 2015, Unity announced that it had executed a Scheme Implementation Agreement with Diversified Minerals to effect the acquisition of 100% of the issued shares of Unity by Diversified Minerals (or its nominee) under a scheme of arrangement pursuant to Part 5.1 of the Corporations Act (Scheme), in conjunction with a contemporaneous Capital Return pursuant to Chapter 2J.1 of the Corporations Act.

### Description of the Capital Return

Under the Capital Return, Unity Shareholders will receive \$0.01 (1.0 cent) per Unity Share by way of an equal capital reduction to be approved by a majority of votes cast by Unity Shareholders at the Special General Meeting.

### Material accompanying this Notice of Special General Meeting

This Notice of Special General Meeting and the Capital Return Resolution should be read in conjunction with the explanatory memorandum of which this notice forms part (Explanatory Booklet). Terms used in this Notice of Special General Meeting, unless otherwise defined, have the same meaning as set out in the Glossary in Section 11.

A blue Special General Meeting proxy form accompanies this Notice of Special General Meeting.

### Voting

The Directors unanimously recommend that you vote in favour of the Capital Return Resolution, in the absence of a Superior Proposal. Each Director who holds Unity Shares intends to vote his Unity Shares in favour of the Capital Return Resolution, in the absence of a Superior Proposal.

### Approvals required for the Capital Return to proceed

In accordance with Part 2J.1 of the Corporations Act, the Capital Return Resolution must be approved by a majority of the votes cast on the Capital Return Resolution.

The Capital Return is also conditional on the approval of the Scheme by Scheme Shareholders and the Court. If the Scheme is not implemented, and the Transaction does not proceed, the Capital Return will not proceed.

The vote will be conducted by poll.

### Determination of entitlement to attend and vote

For the purposes of the Special General Meeting, Unity Shares will be taken to be held by the persons or entities who are registered as members (as recorded in the Register) at 7:00pm (Melbourne time) on Tuesday, 29 March 2016. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Special General Meeting.

### How to vote

If you are a Unity Shareholder entitled to attend and vote at the Special General Meeting, you may vote by:

- attending the Special General Meeting in person;
- appointing a proxy to vote on your behalf;
- appointing an attorney to vote on your behalf; or
- in the case of a corporation which is a Unity Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf.

### Voting in person

To vote in person at the Special General Meeting, you must attend the Special General Meeting to be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria on Thursday, 31 March 2016. The Special General Meeting will commence at 10:00am (Melbourne time).

A Unity Shareholder who is entitled to vote and wishes to attend and vote at the Special General Meeting in person will be admitted to the Special General Meeting and given a voting card on disclosure of their name and address at the point of entry to the Special General Meeting. If you are attending the Special General Meeting, you are asked to arrive at least 30 minutes prior to the time the Special General Meeting is to commence, so that your shareholding may be checked against the Register and attendance noted.

### Voting by proxy

A Unity Shareholder entitled to attend and vote at the meeting is also entitled to vote by proxy. A personalised Special General Meeting proxy form (the blue form) is enclosed with this Explanatory Booklet. You may appoint

not more than two proxies to attend and act for you at the Special General Meeting. A proxy need not be a Unity Shareholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes. Split votes will be disregarded for the purposes of the requirement in section 256C of the Corporations Act.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Special General Meeting.

Unity Shareholders who return their proxy form(s) with a direction on how to vote, but do not nominate the identity of their proxy, will be taken to have appointed the chairman of the Special General Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the Special General Meeting, the chairman of the Special General Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Special General Meeting, the company secretary of Unity or any Director which do not contain a direction will be used to support the resolution to approve the Capital Return.

A proxy will be admitted to the Special General Meeting and given a voting card on providing written evidence of their name and address at the point of entry to the Special General Meeting. Your proxy is asked to arrive at least 30 minutes prior to the time the Special General Meeting is to commence so that their appointment can be verified.

The returning of a proxy form or registering of a proxy by internet will not preclude a Unity Shareholder from attending in person and voting at the Special General Meeting, if the Unity Shareholder is entitled to attend and vote.

To be valid, the proxy form (and for proxy forms which are to be signed under a power of attorney or other authority, a certified copy of that power of attorney or other authority) must be received by the Unity Share Registry by no later than 10:00am (Melbourne time) on Tuesday, 29 March 2016. Proxies may be lodged:

- a) by hand to Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000;
- b) by post to Boardroom Pty Limited, GPO Box 3993, Sydney NSW, 2001;
- c) by fax to +61 2 9290 9655 together with a business hours telephone contact number; or
- d) online by logging on to [www.votingonline.com.au/unitysgm2016](http://www.votingonline.com.au/unitysgm2016) and by following the relevant instructions on the website.

### **Voting by attorney**

Your attorney may attend the Special General Meeting and vote on your behalf.

Unity Shareholders who wish to vote by attorney at the Special General Meeting must, if they have not already presented an appropriate power of attorney to Unity for notation, deliver to the Unity Share Registry the original or certified copy of the power of attorney by post (as per the addresses specified in Section 2.7 of the Explanatory Booklet) so that it is received by the Unity Share Registry before the Special General Meeting commences or alternatively, it should be brought to the Special General Meeting.

An attorney will be admitted to the Special General Meeting and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer at the point of entry to the Special General Meeting. Your attorney is asked to arrive at least 30 minutes prior to the time the Special General Meeting is to commence so that their appointment can be verified.

### **Voting by corporate representative**

To vote at the Special General Meeting (other than by proxy or by attorney), a corporation that is a Unity Shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Special General Meeting and given a voting card on providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer at the point of entry to the Special General Meeting. Corporate representatives are asked to arrive at least 30 minutes prior to the time the Special General Meeting is to commence so that their appointment can be verified.

### **Jointly held securities**

If Unity Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held Unity Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

**Lodgement of proxies, powers of attorney and authorities**

Completed proxy forms should be returned to the Unity Share Registry using the enclosed reply paid envelope, or as indicated on the proxy form, by no later than 10:00am (Melbourne time) on Tuesday, 29 March 2016.

Powers of attorney and authorities, or certified copies of powers of attorney and authorities, should be provided to the Unity Share Registry before, or brought to, the Special General Meeting.

Note that the Unity Share Registry only receives post on Business Days.

## **Annexure 3**

# **Notice of Scheme Meeting**



## Notice of Scheme Meeting

### Unity Mining Limited (ABN 61 005 564 073) (ASX:UML) (Company)

Notice is given that, by an order of the Supreme Court of Victoria pursuant to section 411(1) of the Corporations Act 2001, a meeting of shareholders of the Company (other than the Excluded Shareholders) will be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria on Thursday, 31 March 2016 at 11:00am (Melbourne time) (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded).

### Business of meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a Scheme of Arrangement (with or without modification) to be made between the Company and the Scheme Shareholders.

### Scheme Resolution

*"That pursuant to and in accordance with section 411 of the Corporations Act, the Scheme of Arrangement (the terms of which are described in this Explanatory Booklet of which the notice convening this meeting forms part) is agreed to (with or without any modification) as approved by the Supreme Court of Victoria."*

Melanie Leydin  
Company Secretary

Dated 19 February 2016

## Notes

### Background

On 7 December 2015, Unity announced that it had executed a Scheme Implementation Agreement with Diversified Minerals to effect the acquisition of 100% of the issued shares of Unity by Diversified Minerals (or its nominee) under a scheme of arrangement pursuant to Part 5.1 of the Corporations Act (Scheme), in conjunction with a contemporaneous Capital Return pursuant to Chapter 2J.1 of the Corporations Act.

### Material accompanying this Notice of Scheme Meeting

This Notice of Scheme Meeting and the Scheme Resolution should be read in conjunction with the explanatory memorandum of which this notice forms part (Explanatory Booklet). Terms used in this Notice of Scheme Meeting, unless otherwise defined, have the same meaning as set out in the Glossary in Section 11.

A copy of the Scheme of Arrangement document is contained in Annexure 3 to this Explanatory Booklet.

A yellow Scheme Meeting proxy form accompanies this Notice of Scheme Meeting.

### Voting

The Directors unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal. Each Director who holds Unity Shares intends to vote his Unity Shares in favour of the Scheme in the absence of a Superior Proposal.

### Majorities required

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be Effective, the Scheme Resolution must be passed by:

- unless the Court orders otherwise, a majority in number (more than 50%) of holders of ordinary shares (other than the Excluded Shareholders) present and voting on the Scheme Resolution at the Scheme Meeting (either in person or by proxy, attorney or by corporate representative); and
- at least 75% of the votes cast on the Scheme Resolution at the Scheme Meeting by holders of ordinary shares (other than the Excluded Shareholders) entitled to vote on the Scheme Resolution (either in person or by proxy, attorney or by corporate representative).

The vote will be conducted by poll.

### Court approval

In accordance with section 411(4)(b) of the Corporations Act, to become Effective, the Scheme (with or without modification) must be approved by order of the Court. If the Scheme Resolution set out in this Notice of Scheme Meeting is agreed to by the Requisite Majorities set out above and the conditions precedent set out in the Scheme and in the Scheme Implementation Agreement are satisfied or waived, the Company intends to apply to the Court for the necessary orders to give effect to the Scheme.

### Determination of entitlement to attend and vote

For the purposes of the Scheme Meeting, Unity Shares will be taken to be held by the persons or entities who are registered as members (as recorded in the Register) at 7:00pm (Melbourne time) on Tuesday, 29 March 2016 (other than Excluded Shareholders). Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

### How to vote

If you are a Unity Shareholder (other than an Excluded Shareholder) entitled to attend and vote at the Scheme Meeting, you may vote by:

- attending the Scheme Meeting in person;
- appointing a proxy to vote on your behalf;
- appointing an attorney to vote on your behalf; or
- in the case of a corporation which is a Unity Shareholder, by appointing an authorised corporate representative to attend and vote on its behalf.

### Voting in person

To vote in person at the Scheme Meeting, you must attend the Scheme Meeting to be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne, Victoria on Thursday, 31 March 2016. The Scheme Meeting will commence at 11:00am (Melbourne time) (or if the Special General Meeting has not finished by that time, as soon as possible after that time as it is concluded) .

A Unity Shareholder (other than an Excluded Shareholder) who is entitled to vote and wishes to attend and vote at the Scheme Meeting in person will be admitted to the Scheme Meeting and given a voting card on disclosure of their name and address at the point of entry to the Scheme Meeting. If you are attending the Scheme Meeting, you are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence, so that your shareholding may be checked against the Register and attendance noted.

### **Voting by proxy**

A Unity Shareholder (other than an Excluded Shareholder) entitled to attend and vote at the meeting is also entitled to vote by proxy. A personalised Scheme Meeting proxy form (the yellow form) is enclosed with this Explanatory Booklet. You may appoint not more than two proxies to attend and act for you at the Scheme Meeting. A proxy need not be a Unity Shareholder. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half of your votes. Split votes will be disregarded for the purposes of the requirement in section 411(4)(a)(ii) of the Corporations Act.

If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting.

Shareholders who return their proxy form(s) with a direction on how to vote, but do not nominate the identity of their proxy, will be taken to have appointed the chairman of the Scheme Meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the chairman of the Scheme Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the Scheme Meeting, the company secretary of Unity or any Director which do not contain a direction will be used to support the resolution to approve the Scheme.

A proxy will be admitted to the Scheme Meeting and given a voting card on providing written evidence of their name and address at the point of entry to the Scheme Meeting. Your proxy is asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence so that their appointment can be verified.

The returning of a proxy form or registering of a proxy by internet will not preclude a Unity Shareholder from attending in person and voting at the Scheme Meeting, if the Unity Shareholder is entitled to attend and vote.

To be valid, the proxy form (and for proxy forms which are to be signed under a power of attorney or other authority, a certified copy of that power of attorney or other authority) must be received by the Unity Share Registry by no later than 11:00am (Melbourne time) on Tuesday, 29 March 2016. Proxies may be lodged:

- a) by hand to Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000;
- b) by post to Boardroom Pty Limited, GPO Box 3993, Sydney NSW, 2001;
- c) by fax to +61 2 9290 9655 together with a business hours telephone contact number; or
- d) online by logging on to [www.votingonline.com.au/unitysm2016](http://www.votingonline.com.au/unitysm2016) and by following the relevant instructions on the website.

### **Voting by attorney**

Your attorney may attend the Scheme Meeting and vote on your behalf.

Unity Shareholders who wish to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to Unity for notation, deliver to the Unity Share Registry the original or certified copy of the power of attorney by post (as per the addresses specified in Section 2.7 of the Explanatory Booklet) so that it is received by the Unity Share Registry before the Scheme Meeting commences or alternatively, it should be brought to the Scheme Meeting.

An attorney will be admitted to the Scheme Meeting and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer at the point of entry to the Scheme Meeting. Your attorney is asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence so that their appointment can be verified.

### **Voting by corporate representative**

To vote at the Scheme Meeting (other than by proxy or by attorney), a corporation that is a Unity Shareholder (other than an Excluded Shareholder) must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act.

An authorised corporate representative will be admitted to the Scheme Meeting and given a voting card on providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer at the point of entry to the Scheme Meeting. Corporate representatives are asked to arrive at least 30 minutes prior to the time the Scheme Meeting is to commence so that their appointment can be verified.

**Jointly held securities**

If Unity Shares are jointly held, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in respect of jointly held Unity Shares, only the vote of the shareholder whose name appears first on the Register will be counted.

**Lodgement of proxies, powers of attorney and authorities**

Completed proxy forms should be returned to the Unity Share Registry using the enclosed reply paid envelope, or as indicated on the proxy form, by no later than 11:00am (Melbourne time) on Tuesday, 29 March 2016.

Powers of attorney and authorities, or certified copies of powers of attorney and authorities, should be provided to the Unity Share Registry before, or brought to, the Scheme Meeting.

Note that the Unity Share Registry only receives post on Business Days.

## **Annexure 4**

# **Scheme of Arrangement**

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# Scheme of Arrangement

**Unity Mining Limited**

**Scheme Shareholders**

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## Scheme of Arrangement

pursuant to section 411 of the *Corporations Act 2001* (Cth)

between **Unity Mining Limited** (ACN 005 564 073) of Level 10, 350 Collins Street, Melbourne VIC 3000 (**Target**)

and **Scheme Shareholders**

## Operative provisions

### 1 Definitions

In this document, unless the context requires otherwise:

**ADI** has the meaning given in the *Banking Act 1959* (Cth)

**ASIC** means the Australian Securities and Investments Commission.

**ASPL** means ASX Settlement Pty Ltd (ABN 49 008 504 532).

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Agreement and Target were the designated body.

**ASX** means ASX Limited (ACN 008 624 691) or, where the context requires, the securities market which it operates.

**ASX Settlement Rules** means the ASX Settlement Operating Rules.

**Bidder** means Diversified Minerals Pty Ltd (ACN 603 135 584) of 1668-1670 Forest Road, Orange, NSW 2800.

**Business Day** means a day that is not a Saturday, Sunday, public holiday or bank holiday in Melbourne, Victoria.

**CHESS** means the Clearing House Electronic Subregister System of share transfers operated by ASPL.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act agreed in writing by Bidder and Target.

**Deed Poll** means the deed poll in respect of the Scheme executed by Bidder in favour of each Scheme Shareholder.

**Effective** means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the *Corporations Act*, of the Scheme Order.

**Effective Date** means the date on which an office copy of the Scheme Order approving the Scheme is lodged with ASIC.

**Excluded Shareholder** means Bidder and any Associate of the Bidder that is a Target Shareholder.



**Implementation Date** means the third Business Day after the Scheme Record Date, or such other day as Bidder and Target agree in writing.

**Option** means any option to subscribe for Target Shares.

**Register** means the register of shareholders of Target.

**Registered Account** has the meaning given in clause 4.6(a).

**Registered Address** means the address of each Scheme Shareholder as recorded in the Register as at the Scheme Record Date.

**Related Body Corporate** has the meaning given in the Corporations Act.

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between Target and Scheme Shareholders, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Target and Bidder.

**Scheme Consideration** means 1.9 cents in respect of each Scheme Share.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 6 December 2015 between Target and Bidder.

**Scheme Meeting** means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act in relation to the Scheme.

**Scheme Order** means the orders of the Court approving the Scheme, with or without modification, under section 411(4)(b) of the Corporations Act.

**Scheme Record Date** means 7.00 pm on the fifth Business Day after the Effective Date.

**Scheme Share** means a Target Share held by a Scheme Shareholder as at the Scheme Record Date.

**Scheme Shareholder** means each person who holds a Target Share as at the Scheme Record Date other than an Excluded Shareholder.

**Second Court Date** means the first day on which the Court hears the application for the Scheme Order, or if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

**Sunset Date** means:

- (a) 5.00 pm on 31 May 2016 or, if clause 6.4 of the Scheme Implementation Agreement applies, then the date determined in accordance with clause 6.4(b) of the Scheme Implementation Agreement; or
- (b) such other date and time as agreed in writing between Target and Bidder.

**Target Share** means an issued fully paid ordinary share in Target.

**Target Shareholder** means each person who is registered in the Register as a holder of a Target Share.

**Target Share Registry** means Boardroom Pty Limited.

**Trust Account** has the meaning given in clause 4.5.

## **Interpretation**

### **1.1 In this document:**

- (a) unless the context requires otherwise, a reference:
  - (i) to the singular includes the plural and vice versa;
  - (ii) to a gender includes all genders;
  - (iii) to a document or instrument is a reference to that document or instrument as amended, consolidated, supplemented, novated or replaced;
  - (iv) to a clause, paragraph, Schedule or Annexure is to a clause, paragraph, Schedule or Annexure of or to this document;
  - (v) to a law includes any legislation, judgment, rule of common law or equity or rule of any applicable stock exchange, and is a reference to that law as amended, consolidated, supplemented or replaced and includes a reference to any regulation, by-law or other subordinate legislation;
  - (vi) to any time is to Melbourne time;
  - (vii) to "\$" is to the lawful currency of Australia;
- (b) the words "including" or "includes" means "including, but not limited to", or "includes, without limitation" respectively;
- (c) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (d) headings are for convenience only and do not affect interpretation of this document;
- (e) if a payment or other act must (but for this clause) be made or done on a day that is not a Business Day, then it must be made or done on the next Business Day; and
- (f) if a period must be calculated from, after or before a day or the day of an act or event, it must be calculated excluding that day.

## **2 Preliminary**

### **Target**

- 2.1 Target is a public company limited by shares, incorporated in Australia and taken to be registered in Victoria. Its registered office is at Level 10, 350 Collins Street, Melbourne VIC 3000.
- 2.2 Target is admitted to the official list of ASX and Target Shares are quoted on ASX.
- 2.3 As at 18 February 2016, Target's issued equity securities comprise:
  - (a) 1,143,084,568 Target Shares;
  - (b) 43,227,196 Options; and
  - (c) 1,623,844 Performance Rights,

### **Bidder**

- 2.4 Bidder is a company limited by shares, incorporated in Australia. Its registered office is at 1668-1670 Forest Road, Orange, NSW 2800.

- 2.5 Bidder may nominate a wholly owned Subsidiary of Bidder (**Nominee**) to pay the Scheme Consideration and to be the entity to which the Scheme Shares will be transferred in accordance with the Scheme if the Scheme becomes Effective.
- 2.6 Bidder must procure that the Nominee complies with the obligations of the Bidder under the Scheme.
- 2.7 Despite the above, Bidder will continue to be bound by all of the obligations of Bidder under the Scheme and will not be released from any obligations or liabilities under the Scheme. However, Target agrees that Bidder will not be in breach of this Agreement for failing to discharge an obligation of Bidder under this Agreement if the Nominee fully discharges that obligation.

### **Effect of Scheme**

- 2.8 If the Scheme becomes Effective:
- (a) Bidder will provide or procure the provision of the Scheme Consideration to Scheme Shareholders in accordance with the terms of the Scheme;
  - (b) all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares at the Implementation Date, will be transferred to Bidder and Target will enter Bidder in the Register as the holder of the Scheme Shares.
  - (c) in consideration of the transfer of the Scheme Shares, subject to Bidder depositing funds into the Trust Account in accordance with clause 4.5, Target will pay or procure the payment of the Scheme Consideration to each Scheme Shareholder on behalf of the Bidder in accordance with the Scheme.

### **Scheme Implementation Agreement**

- 2.9 Target and Bidder have entered into the Scheme Implementation Agreement which sets out the terms on which Target and Bidder have agreed to implement the Scheme.

### **Deed Poll**

- 2.10 The Scheme attributes actions to Bidder but does not itself impose an obligation on Bidder to perform those actions. Bidder has executed the Deed Poll in favour of each Scheme Shareholder under which it has covenanted, subject to the Scheme becoming Effective, to perform certain steps attributed to it under the Scheme and to do all things necessary or desirable to implement the Scheme, including to pay or procure the payment of Scheme Consideration.

## **3 Conditions precedent**

### **Conditions precedent to Scheme**

- 3.1 The Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:
- (a) all of the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement, other than those in clauses 3.1(c) and 3.1(d), having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement, before 8:00 am on the Second Court Date or such other time specified in that condition precedent;
  - (b) as at 8.00 am on the Second Court Date, neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms;

- (c) the Court making the Scheme Order;
- (d) any other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Scheme, and which are acceptable to Target and Bidder, having been satisfied; and
- (e) the Scheme Order (and, if applicable, any orders under section 411(6)) of the Corporations Act approving the Scheme coming into effect, under section 411(10) of the Corporations Act, on or before the Sunset Date,

and the provisions of clauses 4, 5 and 6 will not come into effect unless and until each of these conditions precedent has been satisfied.

### **Certificate in relation to conditions precedent**

- 3.2 Prior to or at the Court hearing on the Second Court Date, Target and Bidder will each provide to the Court a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent to the Scheme other than those in clauses 3.1(c), 3.1(d) and 3.1(e), have been satisfied or waived.
- 3.3 The giving of a certificate by each of Target and Bidder under clause 3.2 will, in the absence of manifest error, be conclusive evidence of the satisfaction or waiver of the conditions precedent referred to in the relevant certificate.

### **Termination**

- 3.4 Without limiting any rights under the Scheme Implementation Agreement, if the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Effective, each of Bidder and Target are released from:
  - (a) any further obligation to take steps to implement the Scheme; and
  - (b) any liability with respect to the Scheme.

### **Sunset Date**

- 3.5 The Scheme will lapse and have no further force or effect if the Effective Date has not occurred on or before the Sunset Date.

## **4 Implementation of Scheme**

### **Lodgement of Scheme Order**

- 4.1 Target must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the Scheme Order as soon as practicable, and in any event by no later than 5.00 pm on the first Business Day after the date on which the Court makes that Scheme Order.

### **Transfer of Scheme Shares**

- 4.2 Subject to the Scheme becoming Effective and the payment of the Scheme Consideration in accordance with clause 4.5, on the Implementation Date the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder without the need for any further act by any Scheme Shareholder by:
  - (a) Target delivering to Bidder a duly completed share transfer form executed on behalf of the Scheme Shareholders (which may be a master share transfer form) to transfer all the Scheme Shares to Bidder;

- (b) Bidder duly executing this transfer form and delivering this transfer form to Target for registration; and
  - (c) to the extent applicable, Target effecting a valid transfer of Scheme Shares under section 1074D of the Corporations Act.
- 4.3 As soon as practicable after receipt of the transfer form or completion of the transfer procedure, Target must enter the name and address of Bidder in the Register as the holder of the Scheme Shares.
- 4.4 To the extent permitted by law, the Scheme Shares will be transferred to Bidder free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind.

### **Payment of Scheme Consideration**

- 4.5 Target must use its best endeavours to procure that by no later than the Business Day before the Implementation Date, Bidder deposits in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder, in an Australian dollar denominated trust account operated by Target (**Trust Account**) as trustee for the Scheme Shareholders (except that any interest on the amount will be for the account of Bidder).
- 4.6 Subject to funds having been deposited in accordance with clause 4.5, by no later than 3 Business Days after the Implementation Date, Target must pay or procure the payment from the Trust Account to each Scheme Shareholder an amount equal to the number of Scheme Shares held by the Scheme Shareholder multiplied by the Scheme Consideration by:
- (a) making or procuring a deposit into an account with an ADI in Australia notified by the Scheme Shareholder to Target and recorded in or for the purposes of payment of dividends or the Scheme Consideration and the contemporaneous capital return in the Register as at the Scheme Record Date (**Registered Account**); or
  - (b) if Target has not been notified by the Scheme Shareholder of a Registered Account, despatching or procuring the despatch to the Scheme Shareholder of a cheque, by pre-paid ordinary post (or, if the Registered Address of the Scheme Shareholder is outside Australia, by pre-paid airmail post) in an envelope addressed to the Registered Address as at the Record Date. In the case of Scheme Shares held in joint names any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and be sent to the holder whose name appears first in the Register as at the Scheme Record Date.

### **Unclaimed Consideration**

- 4.7 If:
- (a) in the case of a deposit under clause 4.6(a), the deposit is rejected or refunded or a Registered Account which has previously been notified is no longer valid; or
  - (b) in the case of the despatch of a cheque under clause 4.6(b), a cheque properly despatched by or on behalf of Target is:
    - (i) returned to Target (or its agents) as undelivered;
    - (ii) not presented by a Scheme Shareholder within six months after the Implementation Date; or

- (iii) Target reasonably believes that a Scheme Shareholder is not known at a Scheme Shareholder's Registered Address,

then Target may cancel the relevant cheque and credit the amount payable to the relevant Scheme Shareholder to a separate bank account of Target to be held until the Scheme Shareholder claims the amount, or the amount is dealt with in accordance with any applicable unclaimed moneys legislation. An amount credited to the account is to be treated as having been paid to the Scheme Shareholder when credited to the account. Target must maintain records (for the minimum period required by applicable law) of the amounts paid, the people who are entitled to the amounts, and any transfers of the amounts.

## **5 Dealings in Target Shares**

### **Determination of Scheme Shareholders**

- 5.1 Each Scheme Shareholder will be entitled to participate in the Scheme.
- 5.2 For the purpose of determining who is a Scheme Shareholder, dealings in Target Shares will only be recognised if:
  - (a) in the case of dealings of the type to be effected by CHESS, the transferee is registered in the Register as the holder of the relevant Target Shares by the Scheme Record Date; and
  - (b) in all other cases, share transfer forms in registrable form or transmission applications in respect of those dealings are received by the Target Share Registry by the Scheme Record Date.

### **Target's obligation to register**

- 5.3 Target must register any registrable transfers or transmission applications of the kind referred to in clause 5.2(b) by the Scheme Record Date.

### **Transfers after the Scheme Record Date**

- 5.4 If the Scheme becomes Effective, a Target Shareholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Target Shares or any interest in them after the Scheme Record Date (other than a transfer to Bidder in accordance with the Scheme and any subsequent transfers by Bidder or its successors in title).
- 5.5 Target will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Target Shares received after the Scheme Record Date (other than a transfer to Bidder in accordance with the Scheme and any subsequent transfers by Bidder or its successors in title).

### **Maintenance of Register**

- 5.6 For the purpose of determining entitlements to the Scheme Consideration, Target will, until the Scheme Consideration has been paid or dispatched to Scheme Shareholders, maintain or procure the maintenance of the Register in accordance with this clause 5. The Register in this form will solely determine entitlements to the Scheme Consideration.

### **Effect of certificates and holding statements**

- 5.7 From the Scheme Record Date, each certificate or holding statement for Scheme Shares will cease to have any effect as a document of title in respect of the Scheme Shares or otherwise (other than holding statements in favour of Bidder and its successors in title).

- 5.8 Each entry on the Register as at the Scheme Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

### **Information to be made available to Bidder**

- 5.9 As soon as reasonably practicable after the Scheme Record Date and in any event at least three Business Days before the Implementation Date, Target will give to Bidder or as it directs or procure that Bidder be given or as it directs, details of the name, address and number of Scheme Shares held by each Scheme Shareholder as shown in the Register at the Scheme Record Date in the form Bidder reasonably requires.

## **6 Quotation of Target Shares**

- 6.1 Target will apply to ASX for suspension of trading of Target Shares on ASX with effect from the close of trading on the Effective Date.
- 6.2 If the Scheme has been fully implemented in accordance with its terms, on the date determined by Bidder, Target will apply to ASX for the termination of the official quotation of Target Shares on ASX and to have Target removed from the official list of ASX.

## **7 General Scheme provisions**

### **Appointment of Target as agent and attorney**

- 7.1 Each Scheme Shareholder, without the need for any further act, irrevocably appoints Target and each of the directors and officers of Target (jointly and severally) as its agent and attorney for the purpose of doing all things and executing all deeds, instruments, transfers and other documents that may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it, including but not limited to:
- (a) enforcing the Deed Poll against Bidder;
  - (b) in the case of Scheme Shares in a CHESS holding:
    - (i) causing a message to be transmitted to ASPL in accordance with the ASX Settlement Rules to transfer the Scheme Shares held by the Scheme Shareholder from the CHESS subregister of Target to the issuer sponsored subregister operated by Target or the Target Share Registry at any time after Bidder has paid or procured the payment of the Scheme Consideration which is due under this Scheme to Scheme Shareholders; and
    - (ii) completing and signing on behalf of Scheme Shareholders any required form of transfer of Scheme Shares;
  - (c) in the case of Scheme Shares registered in the issuer sponsored subregister operated by Target or the Target Share Registry, completing and signing on behalf of Scheme Shareholders any required form of transfer; and
  - (d) in all cases, executing any document or doing any other act necessary or desirable to give full effect to this Scheme and the transactions contemplated by it, including executing a proper instrument of transfer of Scheme Shares for the purposes of section 1071B of the Corporations Act (which may be a master transfer of all the Scheme Shares),

and Target accepts such appointment. Target, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 7.1 to all or any of its directors and officers (jointly, severally or jointly and severally).

- 7.2 Target may sub-delegate its functions, authorities or powers under clause 7.1 as agent and attorney of each Scheme Shareholder to any or all of its directors or officers.

### **Agreement by Scheme Shareholders**

- 7.3 Each Scheme Shareholder agrees to:
- (a) the transfer of its Scheme Shares together with all rights and entitlements attaching to those Scheme Shares to Bidder in accordance with the terms of the Scheme; and
  - (b) the variation, cancellation or modification (if any) of the rights attached to its Target Shares constituted by or resulting from the Scheme.

### **Warranty by Scheme Shareholders**

- 7.4 Each Scheme Shareholder is deemed to have warranted to Target, and is deemed to have authorised Target to warrant to Bidder as agent and attorney for the Scheme Shareholder, that:
- (a) all of its Scheme Shares (including all rights and entitlements attaching to them) transferred to Bidder under the Scheme will, on the date of the transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind; and
  - (b) it has full power and capacity to sell and transfer its Scheme Shares (including all rights and entitlements attaching to them) to Bidder.

### **Title to Scheme Shares**

- 7.5 On and from the Implementation Date, subject to Bidder depositing the Scheme Consideration in accordance with clause 4.5, and pending registration by Target of Bidder in the Register as the holder of the Scheme Shares, Bidder will be beneficially entitled to the Scheme Shares.

### **Appointment of Bidder as sole proxy**

- 7.6 On and from the Implementation Date, subject to Bidder depositing the Scheme Consideration in accordance with clause 4.5, and until registration by Target of Bidder in the Register as the holder of the Scheme Shares, each Scheme Shareholder:
- (a) without the need for any further act irrevocably appoints Bidder and each of its directors, officers and secretaries (jointly and each of them separately) as its agent and attorney to appoint an officer or agent nominated by Bidder as its sole proxy and where applicable, corporate representative to:
    - (i) attend shareholders' meetings of Target;
    - (ii) exercise the votes attached to the Scheme Shares registered in the name of the Scheme Shareholder; and
    - (iii) sign any shareholders' resolution of Target;
  - (b) undertakes not to attend or vote at any such meetings or sign any such resolutions, whether in person, by proxy or by corporate representative other than under clause 7.6;
  - (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and



- (d) acknowledges and agrees that in exercising the powers referred to in this clause 7.6, Bidder and each of the directors, officers and secretaries of Bidder may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

- 7.7 Target undertakes in favour of each Scheme Shareholder that it will appoint the officer or agent nominated by Bidder as that Scheme Shareholder's proxy or, where applicable, corporate representative in accordance with clause 7.6(a).

### **Scheme alterations and conditions**

- 7.8 If the Court proposes to approve the Scheme subject to any alterations or conditions under section 411(6) of the Corporations Act, Target may, by its counsel or solicitors, and with the consent of Bidder, consent to those alterations or conditions on behalf of all persons concerned, including, for the avoidance of doubt, all Scheme Shareholders.

### **Effect of Scheme**

- 7.9 The Scheme binds Target and all Scheme Shareholders (including those who do not attend the Scheme Meeting, do not vote at the meeting or vote against the Scheme) and, to the extent of any inconsistency and to the extent permitted by law, overrides the constitution of Target.

### **No liability when acting in good faith**

- 7.10 Neither Target nor Bidder, nor any of their respective officers or agents, will be liable to a Target Shareholder for anything done or omitted to be done in the performance of the Scheme in good faith.

### **Notices**

- 7.11 Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Target's registered office or at the Target Share Registry.
- 7.12 The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Target Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### **Further assurances**

- 7.13 Each party must, at its own expense, whenever requested by the other party, promptly do or, to the extent reasonably practicable, arrange for others to do everything, including executing any documents, reasonably necessary to give full effect to this Scheme and the transactions contemplated by this Scheme.

### **Costs and stamp duty**

- 7.14 Bidder will pay all stamp duty (if any) and any related fines, penalties and interest payable on the transfer by Scheme Shareholders of the Scheme Shares to Bidder.

### **Governing law and jurisdiction**

- 7.15 This Agreement is governed by the laws of Victoria. Each party irrevocably and unconditionally:
- (a) submits to the non-exclusive jurisdiction of the courts of Victoria; and
  - (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

## **Annexure 5**

### **Deed Poll**

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## **Deed Poll**

**By Diversified Minerals Pty Ltd**

**in favour of each Scheme Shareholder**

---

Baker & McKenzie  
ABN 32 266 778 912  
Level 19  
181 William Street  
Melbourne VIC 3000  
Australia  
[www.bakermckenzie.com](http://www.bakermckenzie.com)  
Email - [richard.lustig@bakermckenzie.com](mailto:richard.lustig@bakermckenzie.com)  
Email - [riccardo.troiano@bakermckenzie.com](mailto:riccardo.troiano@bakermckenzie.com)

**Title**                      **Deed Poll**

**Date**                      17 / 12 / 2016

**By**                         Diversified Minerals Pty Ltd (ACN 603 135 584) of 1668-1670 Forest Road,  
Orange, NSW 2800 (**Bidder**)

**in favour of**            Each holder of issued fully paid ordinary shares in Unity Mining Limited (ACN  
005 564 073) (**Target**) as at the Scheme Record Date (**Scheme Shareholders**)

## **Recitals**

- A        Target and Bidder are parties to a Scheme Implementation Agreement dated 6 December 2015 (**Scheme Implementation Agreement**).
- B        Bidder is entering into this Deed Poll for the purpose of covenanting in favour of Scheme Shareholders to perform certain of its obligations under the Scheme Implementation Agreement and certain steps attributed to it under the Scheme, including ensuring that the Scheme Consideration is paid to Scheme Shareholders.
- C        The effect of the Scheme will be that the Scheme Shares, together with all rights and entitlements attaching to them, will be transferred to Bidder (or its nominee) in exchange for the Scheme Consideration.

## **Operative provisions**

### **1. Definitions and interpretation**

- 1.1       Words and phrases defined in the Scheme have the same meanings in this Deed Poll unless the context requires otherwise.
- 1.2       Clause 1.2 of the Scheme applies to the interpretation of this Deed Poll except that references to "this document" in that clause are to be read as references to "this Deed Poll".

### **2. Nature of Deed Poll**

- 2.1       Bidder acknowledges that:
  - (a)       this Deed Poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not a party to it; and
  - (b)       under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of the directors and officers of Target (jointly and severally) as its agent and attorney to enforce this Deed Poll against Bidder.

### **3. Conditions precedent and termination**

#### **Conditions precedent**

- 3.1       Bidder's obligations under clause 4 are subject to the Scheme becoming Effective.

## **Termination**

- 3.2 Bidder's obligations under this Deed Poll will automatically terminate and the terms of this Deed Poll will have no further force or effect if:
- (a) the Scheme Implementation Agreement is terminated in accordance with its terms prior to the occurrence of the Effective Date for the Scheme; or
  - (b) the Scheme does not become Effective on or before the Sunset Date.

## **Consequences of termination**

- 3.3 If this Deed Poll is terminated under clause 3.2, then, in addition and without prejudice to any other rights, powers or remedies available:
- (a) Bidder is released from its obligations to further perform this Deed Poll; and
  - (b) each Scheme Shareholder retains the rights it has against Bidder in respect of any breach of this Deed Poll which occurred before its termination.

## **4. Payment of Scheme Consideration**

- 4.1 Subject to clause 3, Bidder undertakes to each Scheme Shareholder:
- (a) by no later than the Business Day before the Implementation Date, to deposit in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to each Scheme Shareholder into an Australian dollar denominated trust account operated by Target as trustee for the Scheme Shareholders; and
  - (b) to undertake all other actions attributed to it under, and otherwise comply with its obligations in, the Scheme as if it were a party to the Scheme,
- subject to and in accordance with the provisions of the Scheme.

## **5. Representations and warranties**

- 5.1 Bidder represents and warrants that:
- (a) it is a corporation validly existing under the laws of the place of its incorporation;
  - (b) it has the corporate power to enter into and perform its obligations under this Deed Poll and to carry out the transactions contemplated by this Deed Poll;
  - (c) it has taken all necessary corporate action to authorise the entry into this Deed Poll and has taken or will take all necessary corporate action to authorise the performance of this Deed Poll and to carry out the transactions contemplated by this Deed Poll; and
  - (d) this Deed Poll is valid and binding upon it and enforceable against it in accordance with its terms.

## **6. Continuing obligations**

- 6.1 This Deed Poll is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:
- (a) Bidder having fully performed its obligations under this Deed Poll; and

- (b) the termination of this Deed Poll under clause 3.2.

## 7. Notices

7.1 Any notice or other communication given to Bidder under or in connection with this Deed Poll must be:

- (a) in legible writing and in English;
- (b) addressed to Bidder at the address or fax number set out below:

|            |  |
|------------|--|
| Address:   | Suite 2105, Level 21, Goldfields House, 1 Alfred St, Sydney NSW 2000 |
| Attention: | Nick Woolrych  |
| Fax no:    | 02 6360 2783   |
| Email:     | Nick.woolrych@pybar.com.au   |

with a copy to :

|            |   |
|------------|---|
| Address:   | Ironstone Capital, Level 26, 259 George St, Sydney NSW 2000 |
| Attention: | Greg Arandt   |
| Fax no:    | +61 2 8248 1271   |
| Email:     | garandt@ironstonecapital.com.au                             |

- (c) signed by the sender or a person duly authorised by the sender; and
- (d) sent to Bidder by hand, prepaid post (airmail if to or from a place outside Australia) or fax.
- 7.2 Without limiting any other means by which a party may be able to prove that a notice has been received by Bidder, a notice will be considered to have been received:
- (a) if sent by hand, when left at the address of Bidder;
- (b) if sent by pre-paid post, three Business Days (if posted within Australia to an address in Australia) or 10 Business Days (if posted from one country to another) after the date of posting; or
- (c) if sent by fax, on receipt by the sender of an acknowledgment or transmission report generated by the sender's machine indicating that the whole fax was sent to Bidder's fax number,

but if a notice is served by hand, or is received by Bidder's fax, on a day that is not a Business Day, or after 5.00 pm (Bidder's local time) on a Business Day, the notice will be considered to have been received by Bidder at 9.00 am (Bidder's local time) on the next Business Day.

## **8. General**

### **Stamp duty**

#### **8.1 Bidder:**

- (a) must pay all stamp duty (if any) and any related fines, penalties and interest in respect of the Scheme and this Deed Poll, the performance of this Deed Poll and each transaction effected by or made under this Deed Poll; and
- (b) indemnifies each Scheme Shareholder on demand against any liability arising from failure to comply with clause 1.2(a).

### **Waiver**

- 8.2 Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this Deed Poll by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Deed Poll.
- 8.3 No waiver of a breach of any term of this Deed Poll will operate as a waiver of another breach of that term or of a breach of any other term of this Deed Poll.
- 8.4 Nothing in this Deed Poll obliges a party to exercise a right to waive any conditional term of this agreement that may be in its power.
- 8.5 A provision of or right under this Deed Poll may not be waived except in writing signed by the person granting the waiver.

### **Variation**

- 8.6 A provision of this Deed Poll may not be varied unless the variation is agreed to in writing by Bidder and Target, and the Court indicates that the variation would not of itself preclude approval of the Scheme. A variation which complies with this clause is effective when Bidder enters into a further deed poll in favour of each Scheme Shareholder giving effect to the amendment.

### **Rights cumulative**

- 8.7 The rights, powers and remedies of Bidder and of each Scheme Shareholder under this Deed Poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Deed Poll.

### **Assignment**

- 8.8 The rights and obligations of Bidder and of each Scheme Shareholder under this Deed Poll are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity.

### Further assurances

- 8.9 Each party must, at its own expense, whenever requested by the other party, promptly do or, to the extent reasonably practicable, arrange for others to do everything, including executing any documents, reasonably necessary to give full effect to this Deed Poll and the transactions contemplated by this Deed Poll.


### Governing law and jurisdiction

- 8.10 This Deed Poll is governed by the laws of Victoria.
- 8.11 Bidder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria.


### Execution

**Executed** as a deed.

**Signed by**  
**Diversified Minerals Pty Ltd**  
by the sole director and secretary:

  
\_\_\_\_\_  
Signature of sole director and secretary

ANDREW LLOYDS ROUSE  
Name of sole director and secretary (please  
print)

  
\_\_\_\_\_  
Signature of witness

JESSICA TANG  
Name of witness (please print)



## **Annexure 6**

# **Scheme Implementation Agreement**

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# Scheme Implementation Agreement

**Unity Mining Limited**

**Diversified Minerals Pty Ltd**

---

Baker & McKenzie  
ABN 32 266 778 912  
Level 19  
181 William Street  
Melbourne VIC 3000  
Australia  
[www.bakermckenzie.com](http://www.bakermckenzie.com)  
Email - [richard.lustig@bakermckenzie.com](mailto:richard.lustig@bakermckenzie.com)  
Email - [riccardo.troiano@bakermckenzie.com](mailto:riccardo.troiano@bakermckenzie.com)

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| <b>Title</b>   | <b>Scheme Implementation Agreement</b>   |
| <b>Date</b>    | 6 December 2015  |
| <b>Parties</b> | <p><b>Unity Mining Limited</b> (ACN 005 564 073) of Level 10, 350 Collins Street, Melbourne VIC 3000 (<b>Target</b>)</p> <p><b>Diversified Minerals Pty Ltd</b> (ACN 603 135 584) of 1668-1670 Forest Road, Orange, NSW 2800 (<b>Bidder</b>)</p> |

## Recitals

- A Bidder wishes to acquire all of the fully paid ordinary shares of Target by means of a scheme of arrangement under Part 5.1 of the *Corporations Act*.
- B Target and Bidder propose to implement the Scheme on the terms and conditions of this Agreement.

## Operative provisions

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### 1. Definitions and interpretation

#### Definitions

- 1.1 In this Agreement, unless the context otherwise requires:

**Adviser** means, in relation to an entity, its legal, financial and other expert advisers (not including the Independent Expert).

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this Agreement and Target were the designated body.

**ASX** means ASX Limited (ACN 008 624 691) or, where the context requires, the securities market which it operates.

**Bidder Counterproposal** has the meaning given in clause 13.10.

**Bidder Indemnified Party** means Bidder and its Representatives.

**Bidder Prescribed Event** means the occurrence of any of the following:

- (a) Bidder is or becomes unable to pay its debts when they fall due;
- (b) Bidder resolving that it be wound up;
- (c) Bidder is deregistered as a company;
- (d) Bidder suspends or threatens to suspend payment of its debts as and when they become due;
- (e) Bidder ceases or threatens to cease to carry on the business conducted as at the date of this Agreement;
- (f) a liquidator, provisional liquidator or administrator of Bidder being appointed;

- (g) the making of an order by a court for the winding up of Bidder;
- (h) Bidder entering into a compromise or arrangement with its creditors generally (including by executing a deed of company arrangement);
- (i) a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of Bidder being appointed; or
- (j) Bidder directly or indirectly authorising, committing or agreeing to take any of the actions referred to in paragraphs (a) to (i) above,

however, none of the above events will constitute a Bidder Prescribed Event where Target has approved in writing the proposed event.

**Bidder Scheme Information** means information about Bidder which is provided to Target by or on behalf of Bidder to enable the Scheme Booklet to be prepared in accordance with all applicable laws, applicable ASIC guidance and policies and the Listing Rules, or to the Independent Expert to enable it to prepare its report, including information regarding the arrangements Bidder has in place to fund the Scheme Consideration and Bidder's intentions with respect to the assets, business and employees of Target if the Scheme is implemented.

**Bidder Warranties** means the representations and warranties of Bidder set out in clause 7.4.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Melbourne.

**Capital Reduction** means the proposed equal capital reduction of 1.0 cent per Target Share under Chapter 2J of the Corporations Act.

**Capital Reduction Resolution** means the resolution to be put to Target Shareholders at the Special General Meeting to approve the Capital Reduction.

**Cash** in respect of a person, means cash at bank credited to an account in the name of that person with a reputable commercial bank and to which that person is beneficially entitled and which is repayable on demand (or within 30 days of demand) without condition.

**Claim** means a demand, claim, action or proceeding, however arising and whether present, unascertained, immediate, future or contingent, including any claim for specific performance.

**Competing Proposal** means any expression of interest, offer or proposal by any person (other than Bidder or its Associates):

- (a) to consider or enter into any transaction which, if ultimately completed, will have the result that:
  - (i) any person or two or more persons who are Associates (other than Bidder or its Associates) will, or would reasonably be expected to, acquire Voting Power in 20% or more of Target Shares; or
  - (ii) any person or two or more persons who are Associates (other than Bidder or its Associates) will, or would reasonably be expected to, acquire control of Target, within the meaning of section 50AA of the Corporations Act,

including by way of a takeover bid, scheme of arrangement, amalgamation, merger, capital reconstruction, consolidation, shareholder-approved Target Share acquisition or issuance, share buy-back or repurchase, reverse takeover, establishment of a new holding entity for Target or any other transaction or arrangement with Target;

- (b) to acquire, have a right to acquire or obtain any material economic interest in (whether directly or indirectly) the assets (excluding cash and including the Dargues or Henty gold mines) or business of the Target Group; or
- (c) to form a dual listed company structure, stapled security structure or other form of synthetic merger having the same or substantially the same effect as a takeover bid for, or scheme of arrangement or merger in respect of, Target.

**Completion** means completion of the implementation of the Scheme on the Implementation Date.

**Confidentiality Agreement** means the confidentiality agreement between Target and Bidder dated 29 October 2015.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Court** means a court of competent jurisdiction under the Corporations Act.

**Deed Poll** means the deed poll to be executed by Bidder substantially in the form of Annexure 2 under which Bidder covenants in favour of Target Shareholders to perform its obligations under this Agreement and the Scheme.

**Director** means each member of the Target Board.

**Dispatch Date** means the day that the Scheme Booklet is dispatched to Target Shareholders.

**Effective** means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the Court order made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

**Effective Date** means the date on which an office copy of the Court order made under section 411(4)(b) of the Corporations Act approving the Scheme is lodged with ASIC.

**Excluded Shareholder** means Bidder and any Associate of the Bidder that is a Target Shareholder.

**Exclusivity Period** means the period between the date of this Agreement and the earliest of:

- (a) the Implementation Date;
- (b) the date this Agreement is terminated in accordance with its terms; and
- (c) the Sunset Date.

**Financial Debt** in respect of a person, means the aggregate of any monetary liability or indebtedness (whether present or future, actual or contingent) of that person for or in respect of:

- (a) money borrowed or raised from and debit balances at bank or financial institutions;
- (b) its obligations as lessee under any finance lease or capital lease, except a lease in the nature of an operating lease;
- (c) any indemnity obligation in respect of any guarantee, indemnity, bond or letter of credit or similar instrument issued by a financial institution, other than those issued or provided in the ordinary course of its business;

- (d) any guarantee, indemnity, letter of credit or similar assurance in respect of financial loss given in connection with any indebtedness referred to in any other paragraph of this definition of another person, other than those issued or provided in the ordinary course of its business;
- (e) any amount payable in connection with the redemption of any redeemable preference share issued by that person;
- (f) amounts raised under or in connection with any bill acceptance, endorsement or discounting arrangement;
- (g) amounts raised under or in connection with any bond, debenture, note, loan stock or similar instruments;
- (h) receivables sold or discounted (other than to the extent they are sold on a non-recourse basis);
- (i) any futures contract, forward exchange or forward purchase contract, any swap, hedge, cap, collar, ceiling or floor or option contract in respect of any currency, interest rates or any commodity or any similar transaction in connection with borrowings or the raising of money, except those arising in the ordinary course of its business;
- (j) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession where the advance or deferred payment is arranged primarily as a method of raising finance or financing or refinancing the acquisition of that asset;
- (k) amounts raised under any other transaction or series of transactions having the commercial effect of a borrowing or raising of money;
- (l) dividends declared and payable; and
- (m) accrued but unpaid interest, prepayment and redemption premiums or penalties (if any), unpaid fees or expenses and other monetary obligations on any financial indebtedness referred to in paragraphs (a) to (k) above,

but excludes trade debts of the person and its Subsidiaries arising in the ordinary course of their businesses on arm's length terms. This definition does not operate to double count any liability or indebtedness.

**First Court Date** means the date of the hearing by the Court of the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act.

**Government Agency** means a:

- (a) government, whether foreign, federal, state, territorial or local;
- (b) department, office or minister of a government (whether foreign, federal, state, territorial or local) acting in that capacity; or
- (c) commission, delegate, instrumentality, agency, board, or other government, semi-government, judicial, administrative, monetary or fiscal authority, whether statutory or not and whether foreign, federal, state, territorial or local,

and includes ASX, ASIC, the Australian Competition and Consumer Commission, the Foreign Investment Review Board and the Takeovers Panel.

**GST** means goods and services tax as defined in *A New Tax Systems (Goods and Services Tax) Act 1999* (Cth), or any like tax.

**Headcount Test** means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy.

**Implementation** means the implementation of the Scheme, on it becoming Effective under section 411(10) of the Corporations Act.

**Implementation Date** means the third Business Day after the Scheme Record Date.

**Independent Expert** means an expert independent of the parties engaged by Target to opine (and prepare a report for inclusion in the Scheme Booklet) on whether the Scheme is in the best interests of Target Shareholders.

**Listing Rules** means the listing rules of ASX as amended from time to time.

**Material Adverse Change** means one or more occurrences or any fact, matter or circumstance (whenever occurring) that is announced or becomes known to Bidder that individually, or when aggregated with all such occurrences, facts, matters or circumstances, has had or is reasonably likely to have one of the following effects:

- (a) to diminish the total consolidated net assets of the Target Group by \$2 million or more;
- (b) to otherwise materially adversely affect the business, assets, financial condition, results, operations, reputation or prospects of the Target Group (as a whole),

unless that occurrence, fact, matter or circumstance:

- (c) was fairly disclosed in the Target Due Diligence Information as at close of business on the day before the date of this Agreement;
- (d) was publicly announced by Target or otherwise fairly disclosed in publicly available filings by Target with ASX or ASIC as at close of business on the Business Day before the date of this Agreement; or
- (e) is required to be undertaken by Target or its Subsidiary (as the case may be) in connection with the Scheme, this Agreement or the Capital Reduction,

and, to avoid doubt, the following would not, on their own, constitute a "Material Adverse Change" for the purposes of this Agreement:

- (f) if the sale by the Target Group of the Bendigo plant and assets does not complete; and
- (g) subject to Target not being in breach of clauses 7.1(i) and 7.1(j), if the Target Group makes any non cash impairments, non cash write downs or non cash carrying value adjustments including to inventory in the financial statements for the period ending 31 December 2015.

**Net Cash** means the Cash of the Target Group less (i) Financial Debt of the Target Group plus (ii) pre-paid interest in respect of the Financial Debt of the Target Group, in each case on a consolidated basis.

**Officer** means, in relation to an entity, its directors, officers and employees.

**Option** means any option to subscribe for Target Shares.

**Options Cancellation Deed** means a deed substantially in the form set out in Annexure 4.

**Other Proposal** has the meaning given to that term in clause 13.6.



**Performance Right** means a right to be issued a Target Share for nil consideration.

**Register** means the register of shareholders of Target.

**Related Body Corporate** has the meaning given to that term in the Corporations Act.

**Representative** means, in relation to an entity:

- (a) each of the entity's Related Bodies Corporate; and
- (b) each of the Officers and Advisers of the entity or any of its Related Bodies Corporate.

**Scheme** means the scheme of arrangement, substantially in the form set out in Annexure 3 under Part 5.1 of the Corporations Act between Target and Target Shareholders as described in clause 4, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Target and Bidder.

**Scheme Booklet** means the document including the information described in clause 6.1(a) to be approved by the Court and dispatched to Target Shareholders.

**Scheme Consideration** means 1.9 cents in respect of each Scheme Share.

**Scheme Meeting** means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

**Scheme Record Date** means 7.00 pm on the fifth Business Day after the Effective Date.

**Scheme Share** means a Target Share held by a Scheme Shareholder as at the Scheme Record Date.

**Scheme Shareholder** means each person who holds a Target Share as at the Scheme Record Date other than an Excluded Shareholder.

**Second Court Date** means the date of the hearing by the Court of the application to approve the Scheme under section 411(4)(b) of the Corporations Act.

**Share Splitting** means the splitting by a holder of Target Shares of those Target Shares into two or more parcels of Target Shares whether or not it results in any change in beneficial ownership of the Target Shares.

**Special General Meeting** means a general meeting of Target Shareholders to be convened by Target and held immediately prior to or immediately after the Scheme Meeting for the purposes of considering the Capital Reduction Resolution.

**Subsidiary** has the meaning given to that term in the Corporations Act.

**Sunset Date** means:

- (a) 5.00 pm on 31 May 2016 or, if clause 6.4 applies, then the date determined in accordance with clause 6.4(b); or
- (b) such other date and time agreed in writing between Target and Bidder.

**Superior Proposal** means a Competing Proposal which in the determination of the Target Board, acting in good faith (after having taken advice from their legal and financial advisers):

- (a) is reasonably capable of being completed in accordance with its terms, taking into account all financial, regulatory and other aspects of such proposal, including the ability of the proposing party to consummate the transactions contemplated by the Competing Proposal; and

- (b) would, if completed substantially in accordance with its terms, result in a transaction that is more favourable to Target Shareholders as a whole than the Scheme, taking into account all terms and conditions of the Competing Proposal including consideration, conditionality, funding, certainty and timing.

**Superior Proposal Notice** has the meaning given in clause 13.7.

**Target Board** means the board of directors of Target as constituted from time to time.

**Target Due Diligence Information** means all written information disclosed or made available by or on behalf of Target and its Representatives (including all responses to requests for information and any disclosure letter) to Bidder or its Representatives contained the electronic data room established by Target as at close of business on the day before the date of this Agreement, duplicate copies of which have been loaded onto CD Rom and initialled by the parties for identification.

**Target Group** means Target and each of Target's Subsidiaries and **Target Group Member** has a corresponding meaning.

**Target Indemnified Party** means each Target Group Member and their respective Representatives.

**Target Prescribed Event** means the occurrence of any of the following:

- (a) a Target Group Member converting all or any of its shares into a larger or smaller number of shares;
- (b) a Target Group Member resolving to reduce its share capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares other than through the Capital Reduction;
- (c) a Target Group Member entering into a buy-back agreement, or resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (d) Target declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members other than the Capital Reduction;
- (e) a Target Group Member issuing shares, or granting an option over its shares or a right to be issued shares (including performance rights), or agreeing to make such an issue or grant such an option or right other than issuing shares in accordance with the terms of any Performance Rights;
- (f) a Target Group Member issuing or agreeing to issue securities or other instruments convertible into shares or debt securities;
- (g) a Target Group Member disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;
- (h) other than in the ordinary course of business and consistent with past practice, a Target Group Member creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property;
- (i) a Target Group Member is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;
- (j) a Target Group Member resolving that it be wound up;

- (k) a Target Group Member is deregistered as a company;
- (l) a Target Group Member suspends or threatens to suspend payment of its debts as and when they become due;
- (m) a Target Group Member ceases or threatens to cease to carry on the business conducted as at the date of this Agreement;
- (n) a liquidator, provisional liquidator or administrator of a Target Group Member being appointed;
- (o) the making of an order by a court for the winding up of a Target Group Member;
- (p) a Target Group Member entering into a compromise or arrangement with its creditors generally (including by executing a deed of company arrangement);
- (q) a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Target Group Member being appointed;
- (r) a Target Group Member making any material change or amendment to its constitution;
- (s) any disposal of shares or securities by a Target Group Member in any Target Group Member other than to a Target Group Member; or
- (t) any Target Group Member directly or indirectly authorising, committing or agreeing to take or announcing any of the actions referred to in paragraphs (a) to (s) above insofar as it applies to the Target Group Member the subject of such direct or indirect authorisation, commitment, agreement or announcement,

however none of the above events will constitute a Target Prescribed Event where:

- (a) Target has first consulted, in reasonable detail, with Bidder in relation to the proposed event, and Bidder has approved in writing the proposed event;
- (b) the event was fairly disclosed in the Target Due Diligence Information as at close of business on the day before the date of this Agreement;
- (c) the event was publicly announced by Target or otherwise fairly disclosed in publicly available filings by Target or any of its Subsidiaries with ASX or ASIC as at close of business on the Business Day before the date of this Agreement;
- (d) the Target Group Member is required to undertake the event in connection with the Scheme, this Agreement or the Capital Reduction; or
- (e) an event specified in paragraphs (i) to (q) occurs in respect of a non-trading Subsidiary of Target that does not hold any material assets.

**Target Scheme Information** means all information included in the Scheme Booklet other than the Bidder Scheme Information and the Independent Expert's report.

**Target Share** means an issued fully paid ordinary share in Target.

**Target Shareholder** means each person who is registered in the Register as a holder of Target Shares.

**Target Shareholder Approval** means a resolution by Target Shareholders in favour of the Scheme passed by the majorities required under section 411(4)(a)(ii) of the Corporations Act or, in the circumstances contemplated by clause 3.3, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act, in each case excluding any votes cast by an Excluded Shareholder.

**Target Warranties** means the representations and warranties of Target set out in clause 7.1.

**Timetable** means the indicative timetable set out in Annexure 1.

**Voting Power** has the meaning given to that term in Chapter 6 of the Corporations Act.

## Interpretation

### 1.2 In this Agreement:

- (a) unless the context requires another meaning, a reference:
  - (i) to the singular includes the plural and vice versa;
  - (ii) to a gender includes all genders;
  - (iii) to a document (including this Agreement) is a reference to that document (including any Schedules and Annexures) as amended, consolidated, supplemented, novated or replaced;
  - (iv) to an agreement includes any undertaking, representation, deed, agreement or legally enforceable arrangement or understanding whether written or not;
  - (v) to a party means a party to this Agreement;
  - (vi) to an item, Recital, clause, Schedule or Annexure is to an item, Recital, clause, Schedule or Annexure of or to this Agreement;
  - (vii) to a notice means a notice, approval, demand, request, nomination or other communication given by one party to another under or in connection with this Agreement;
  - (viii) to a person (including a party) includes:
    - (A) an individual, company, other body corporate, association, partnership, firm, joint venture, trust or Government Agency;
    - (B) the person's successors, permitted assigns, substitutes, executors and administrators; and
    - (C) a reference to the representative member of the GST group to which the person belongs to the extent that the representative member has assumed rights, entitlements, benefits, obligations and liabilities which would remain with the person if the person were not a member of a GST group;
  - (ix) to a law includes any legislation, judgment, rule of common law or equity or rule of any applicable stock exchange, and is a reference to that law as amended, consolidated, supplemented or replaced and includes a reference to any regulation, by-law or other subordinate legislation;
  - (x) to proceedings includes litigation, arbitration and investigation;

- (xi) to a judgment includes an order, injunction, decree, determination or award of any court or tribunal;
- (xii) to time is to prevailing Melbourne time; and
- (xiii) to \$ means the lawful currency of Australia;
- (b) the words "including" or "includes" means "including, but not limited to", or "includes, without limitation" respectively;
- (c) the words "fairly disclosed" means disclosed to Bidder or its Representatives in sufficient detail so as to enable a reasonable and sophisticated buyer (or one of its Representatives) experienced in transactions similar to the Scheme and experienced in a business similar to any business conducted by the Target Group, to identify the nature, scope and implications of the relevant matter, event or circumstance;
- (d) where a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (e) headings are for convenience only and do not affect interpretation of this Agreement;
- (f) if a payment or other act must (but for this clause) be made or done on a day that is not a Business Day, then it must be made or done on the next Business Day; and
- (g) if a period must be calculated from, after or before a day or the day of an act or event, it must be calculated excluding that day.

## Construction

- 1.3 This Agreement may not be construed adversely to a party only because that party or its legal advisers were responsible for preparing it.

## Payments

- 1.4 Unless otherwise expressly provided in this Agreement, where an amount is required to be paid to a party (the **Receiving Party**) by another party under this Agreement, that amount must be paid:
- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties agree; and
  - (b) without deduction, withholding or set-off.

In this clause 1.4, a Receiving Party does not include a Scheme Shareholder.

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## 2. Agreement to propose Scheme

- 2.1 Target will propose and seek to implement the Scheme in accordance with this Agreement and the Corporations Act and Target will use reasonable endeavours to implement the Scheme substantially in accordance with the Timetable.
- 2.2 Bidder will comply with its obligations under the Scheme and the Deed Poll, and provide reasonable assistance to Target in proposing and implementing the Scheme in accordance with this Agreement.

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### 3. Conditions

#### Conditions

- 3.1 Subject to this clause 3, the Scheme will not become Effective and the obligations of the parties in relation to the Scheme (including the obligations of Bidder to pay the Scheme Consideration to Scheme Shareholders under the Deed Poll) will not become binding until each of the following conditions is satisfied or waived in accordance with clauses 3.4 to 3.10:
- (a) **(Orders convening Scheme Meeting)** The Court orders the convening of the Scheme Meeting under section 411(1) of the Corporations Act.
  - (b) **(Target Shareholder Approval)** Target Shareholder Approval is obtained at the Scheme Meeting.
  - (c) **(Court approval of Scheme)** The Court makes orders under section 411(4)(b) of the Corporations Act approving the Scheme on the Second Court Date.
  - (d) **(Order lodged with ASIC)** An office copy of the Court order approving the Scheme is lodged with ASIC as contemplated by section 411(10) of the Corporations Act on or before the Sunset Date.
  - (e) **(No prohibitive orders)** No judgment, order, decree, statute, law, ordinance, rule of regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any Australian court or other Australian Government Agency of competent jurisdiction remains in force at 8.00 am on the Second Court Date that prohibits, materially restricts, makes illegal or restrains the implementation of the Scheme (or any transaction contemplated by the Scheme).
  - (f) **(No Target Prescribed Event)** No Target Prescribed Event occurs between the date of this Agreement and 8.00 am on the Second Court Date.
  - (g) **(No Bidder Prescribed Event)** No Bidder Prescribed Event occurs between the date of this Agreement and 8.00 am on the Second Court Date.
  - (h) **(No change of Director recommendation)** Between the date of this Agreement and Target Shareholders voting on the Scheme at the Scheme Meeting, no Director adversely changes, adversely qualifies or withdraws his recommendation to Target Shareholders to vote in favour of the Scheme or otherwise makes a public statement indicating that he no longer supports the Scheme.
  - (i) **(Independent Expert's report)** The Independent Expert issues its report (which may be in draft) before the date on which the Scheme Booklet is provided to ASIC and the Independent Expert concludes in its final report which is included in the Scheme Booklet that the Scheme is in the best interests of Target Shareholders (and does not change that conclusion prior to 8.00 am on the Second Court Date).
  - (j) **(No Material Adverse Change)** No Material Adverse Change occurs between the date of this Agreement and 8.00 am on the Second Court Date.
  - (k) **(Capital Reduction)** As at 8.00 am on the Second Court Date, Target Shareholders have approved the Capital Reduction under section 256C(1) of the Corporations Act at the Special General Meeting.

- (l) **(Cancellation of Options)** As at 8.00 am on the Second Court Date, Target has provided the confirmation to Bidder in accordance with clause 4.5 that all Options will cease to exist as at the Implementation Date.
- (m) **(No Performance Rights)** As at 8.00 am on the Second Court Date, Target has provided the confirmation to Bidder in accordance with clause 4.6 that any Performance Rights which have not already vested do vest and convert prior to the Scheme Record Date.
- (n) **(Target Warranties)** Each of the Target Warranties that is qualified as to materiality is true and correct, and each Target Warranty that is not so qualified is true and correct in all material respects, in each case on the date or dates specified in clause 7.1.
- (o) **(Bidder Warranties)** Each of the Bidder Warranties that is qualified as to materiality is true and correct, and each Bidder Warranty that is not so qualified is true and correct in all material respects, in each case on the date or dates specified in clause 7.4.
- (p) **(No Competing Proposal)** As at 8.00 am on the Second Court Date, Target has not entered into any agreement, arrangement or understanding with a third party in relation to a Competing Proposal and no Competing Proposal has been announced by Target.
- (q) **(Net Cash Certificate)** On the Business Day immediately prior to the Second Court Date, Target delivers to Bidder a certificate duly signed by two directors or a director and company secretary of Target, that Target has sufficient Net Cash to pay the cash amount of the capital return for the Capital Reduction.

### **Reasonable endeavours**

- 3.2 Each of Target and Bidder must use its reasonable endeavours to procure that:
- (a) each of the conditions in clause 3.1 is satisfied as expeditiously as possible and in any event on or before the Sunset Date and continues to be satisfied at all times until the last time it is required to be satisfied (as the case may require), including providing all reasonable assistance to the other party which is necessary to satisfy such conditions; and
  - (b) there is no occurrence within the control of Target or Bidder (as the context requires) or their respective Related Bodies Corporate that would prevent the conditions in clause 3.1 from being satisfied.

### **Share splitting**

- 3.3 If the Scheme is not approved by Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Target and Bidder agree (acting reasonably) that Share Splitting or some other abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied, then Target must:
- (a) apply for an order of the Court of the type contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
  - (b) make such submissions to the Court and file such evidence as counsel engaged by Target to represent it in Court proceedings related to the Scheme, in consultation with

Bidder, considers is reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

### **Waiver of conditions**

- 3.4 The conditions in clause 3.1(e) is for the joint benefit of Target and Bidder and may only be waived jointly by them.
- 3.5 The conditions in clauses 3.1(g), 3.1(i) and 3.1(o) are for the sole benefit of Target and may only be waived by Target.
- 3.6 The conditions in clauses 3.1(f), 3.1(h), 3.1(j), 3.1(k), 3.1(l), 3.1(m), 3.1(n) 3.1(p) and 3.1(q) are for the sole benefit of Bidder and may only be waived by Bidder.
- 3.7 The conditions in clauses 3.1(a), (b), (c) and (d) cannot be waived.
- 3.8 To be effective any waiver of the breach or non-fulfilment of any condition in clause 3.1 must be in writing and a copy of the waiver must be provided to the other party prior to 8.00 am on the Second Court Date to be effective.
- 3.9 Subject to clause 3.10, a waiver of any condition in clause 3.1 precludes the party who has the benefit of the condition from suing the other party for any breach of this Agreement that resulted in or from any breach or non-fulfilment of the condition.
- 3.10 A party entitled to waive a condition under clause 3.1 may do so in its absolute discretion. If the party who has the benefit of a condition in clause 3.1 waives a condition on one or more terms, and the other party agrees to those terms, then those terms will apply notwithstanding any inconsistency with clause 3.8. If the other party does not agree to the terms of any waiver, the relevant condition will not be waived.

### **Failure of condition**

- 3.11 Subject to clause 6.4, if a condition in clause 3.1:
  - (a) is not satisfied or (where capable of waiver) waived by the date specified for its satisfaction; or
  - (b) becomes incapable of being satisfied by the date specified for its satisfaction and is not waived,and neither of the following has occurred:
  - (c) the Independent Expert has opined to the effect that the Scheme is in the best interests of Target Shareholders; or
  - (d) a Superior Proposal has been publicly announced;then Target and Bidder must consult in good faith with a view to determining whether:
  - (e) the Scheme may proceed by way of alternative means or methods (and the parties acknowledge that this would include a sale of the major assets of Target to Bidder for an amount determined by reference to the Scheme Consideration);
  - (f) to extend the relevant time or date for satisfaction of the Conditions;
  - (g) to change the date of the application to be made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by Target and Bidder; or



- (h) to extend the Sunset Date.
- 3.12 If Target and Bidder are unable to reach agreement under clause 3.11 within five Business Days of the date on which they both become aware that the condition is not satisfied or has become incapable of being satisfied (or, if earlier, by 8.00 am on the Second Court Date), or the parties are not required in the circumstances to consult under clause 3.11, then unless the relevant condition is waived (and subject to clause 3.13) the party entitled to the benefit of that condition, or either Target or Bidder in the case of a condition which is for the benefit of both of them, may terminate this Agreement at any time prior to 8.00 am on the Second Court Date with immediate effect by written notice to the other party.
- 3.13 A party may not terminate this Agreement under clause 3.12 if the relevant condition in clause 3.1 has not been satisfied, or is incapable of being satisfied, or there is an occurrence that will prevent the relevant condition being satisfied by the date specified in this Agreement for its satisfaction, as a result of an act or omission by that party or any of its Related Bodies Corporate which results in a breach of this Agreement and either alone or together with other circumstances prevents that condition being satisfied or capable of being satisfied.
- 3.14 Subject to the rights of the parties under clauses 7.7, 9, 10, 12, 13, 15 and 16 of this Agreement, following any termination under clause 3.12 no party will have any liability to the other parties in respect of this Agreement, other than in respect of a breach of this Agreement occurring prior to that termination.

### **Notice of changes**

- 3.15 Each of Target and Bidder must keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the conditions in clause 3.1.
- 3.16 Target must promptly notify Bidder, and Bidder must promptly notify Target, after it becomes aware that any condition in clause 3.1 has been satisfied, has become incapable of being satisfied or is not reasonably capable of being satisfied (having regard to the respective obligations of each party under clause 3.2).
- 3.17 Upon receipt of notice given under clause 3.16, Target or Bidder, as applicable, must give notice to the notifying party as soon as practicable as to whether or not it waives the breach or non-fulfilment of any condition in clause 3.1 which has become incapable of being satisfied.
- 3.18 Target must promptly notify Bidder, and Bidder must promptly notify Target, of any change, matter, event or circumstance causing, or which is reasonably likely to cause:
- (a) a representation or warranty in this Agreement to be breached; or
  - (b) a material breach of this Agreement,
- and must provide Bidder or Target (as applicable) with reasonable details of the relevant breach.

### **Certificates**

- 3.19 On the Second Court Date:
- (a) Bidder and Target will provide a joint certificate to the Court confirming whether or not the condition set out in clause 3.1(e) has been satisfied or waived in accordance with the terms of this Agreement;
  - (b) Target will provide a certificate to the Court confirming whether or not the conditions set out in clauses 3.1(a), (b), (f), (h), (i), (j), (k), 3.1(l), (m), (n), (p) and (q) have been satisfied or waived in accordance with the terms of this Agreement; and

- (c) Bidder will provide a certificate to the Court confirming whether or not the conditions set out in clause 3.1(g) and 3.1(o) have been satisfied or waived in accordance with the terms of this Agreement.
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## **4. Scheme of Arrangement**

### **Scheme**

- 4.1 Target will, as soon as reasonably practicable after the date of this Agreement and substantially in compliance with the Timetable, propose and seek to implement the Scheme.

### **Scheme Consideration**

- 4.2 In consideration of the Scheme Shareholders transferring their Scheme Shares to Bidder at Completion, Bidder covenants in Target's favour (in its own right and separately as trustee or nominee for each Scheme Shareholder) that Bidder will, by no later than the Business Day immediately prior to the Implementation Date, pay the aggregate amount of the Scheme Consideration for all Scheme Shareholders in cleared funds into a trust account operated by Target for all Scheme Shareholders, in accordance with the terms of the Scheme and the Deed Poll.

### **Capital Reduction**

- 4.3 Target must, substantially in compliance with the Timetable, propose the Capital Reduction.

### **Deed Poll**

- 4.4 Bidder covenants in favour of Target (in its own right and separately as trustee for each of the Target Shareholders) to execute and deliver prior to the First Court Date and (subject to its terms) perform the Deed Poll.

### **Cancellation of Options**

- 4.5 Target may, before 8.00am on the Second Court Date, enter into Options Cancellation Deeds with each holder of Options to cancel all outstanding Options upon (or before) implementation of the Scheme, and must use its reasonable endeavours to obtain all necessary waivers of the Listing Rules to permit such actions to occur, and regardless of this outcome Target must provide confirmation to Bidder before 8.00 am on the Second Court Date that all Options will cease to exist as at the Implementation Date.

### **Performance Rights**

- 4.6 Target must take such action as is necessary prior to the Scheme Record Date to ensure that any Performance Rights which have not already vested do vest and convert prior to the Scheme Record Date, and Target must, prior to the Scheme Record Date, issue the number of Target Shares required by the terms of those Performance Rights on such vesting so that the relevant former holders of the Performance Rights can participate in the Scheme as holders of Target Shares, and Target must provide confirmation to Bidder before 8.00 am on the Second Court Date that any Performance Rights which have not already vested do vest and convert prior to the Scheme Record Date.

### **Bidder Nominee**

- 4.7 Bidder may by notice to Target not later than five Business Days before an advanced draft of the Scheme Booklet is submitted to ASIC for review, nominate a wholly owned Subsidiary of Bidder (**Nominee**) to pay the Scheme Consideration and to be the entity to which the Scheme

Shares will be transferred in accordance with this Agreement and the Scheme if the Scheme becomes Effective.

- 4.8 From the date of receipt by Target of the notice referred to in clause 4.7 (**Notification Date**) Bidder must procure that the Nominee complies with this Agreement as if the Nominee were a party to it in place of Bidder.
- 4.9 Despite the above, Bidder will continue to be bound by all of the obligations of Bidder under this Agreement and will not be released from any obligations or liabilities under this Agreement following the Notification Date. However, Target agrees that Bidder will not be in breach of this Agreement for failing to discharge an obligation of Bidder under this Agreement if the Nominee fully discharges that obligation.
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## 5. Co-operation

### Giving effect to Scheme

- 5.1 Each party must use its reasonable endeavours to give effect to the Scheme and must execute all documents and do all acts and things as may be necessary or desirable for the Implementation of the Scheme substantially in accordance with the Timetable, subject to compliance with their respective obligations, powers and duties under this Agreement, their constituent documents and all applicable laws and the proper performance by the directors of each of Target and Bidder of their fiduciary duties.

### Scheme Booklet

- 5.2 Each of Target and Bidder must use its reasonable endeavours and utilise all reasonable resources (including management, shareholder, marketing and corporate relations resources, as well as the resources of external advisers) to produce the Scheme Booklet as soon as reasonably practicable, and substantially in accordance with the Timetable, subject to compliance with their respective obligations, powers and duties under this Agreement.
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## 6. Implementation

### Target's obligations

- 6.1 Target must take all reasonably necessary steps to propose and implement the Scheme in accordance with all necessary laws and regulations as soon as is reasonably practicable and substantially in accordance with the Timetable, including doing anything required on behalf of Target Shareholders which Target is authorised to do. This includes:
- (a) **(Scheme Booklet)** Preparing the Scheme Booklet and dispatching the Scheme Booklet to Target Shareholders. The Scheme Booklet must:
    - (i) include:
      - (A) the Scheme;
      - (B) a notice of the Scheme Meeting and proxy forms;
      - (C) an explanatory statement in relation to the Scheme issued under section 412 of the Corporations Act and registered by ASIC;
      - (D) a copy of the Independent Expert's report, a copy of this Agreement (without the schedules or annexures) and a copy of the executed Deed Poll;

- (E) a statement that each Director recommends that Target Shareholders vote in favour of the Scheme and the Capital Reduction Resolution, which may be expressed as subject to the Independent Expert opining to the effect that the Scheme is in the best interests of Target Shareholders and to be given in the absence of a Superior Proposal;
  - (F) a statement that each Director who holds Target Shares, or on whose behalf Target Shares are held, intends to vote those Target Shares in favour of the Scheme and the Capital Reduction Resolution, which statement may be expressed to be given in the absence of a Superior Proposal; and
  - (G) the notice of the Special General Meeting and proxy form and an explanatory memorandum as required for the Special General Meeting; and
- (ii) comply with all applicable laws, including the Corporations Act, applicable ASIC guidance and policies and the Listing Rules.
- (b) **(Consultation)** Providing Bidder with drafts of the Scheme Booklet, consulting with Bidder in relation to the content and presentation of the Scheme Booklet and giving Bidder and its representatives a reasonable opportunity to provide input about the content and presentation of the Scheme Booklet and obtaining Bidder's consent to include the Bidder Scheme Information in the form and context in which it appears.
- (c) **(Engage the Independent Expert)** After consulting with Bidder, engaging the Independent Expert to prepare and provide its report for inclusion in the Scheme Booklet, and providing all reasonable assistance and information to the Independent Expert to enable it to do so.
- (d) **(Approval of draft for ASIC)** As soon as practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procuring that a meeting of the Target Board, or of a committee of the Target Board appointed for this purpose, is convened to consider, and if thought fit, approve, that draft as being in a form appropriate for provision to ASIC for review.
- (e) **(Liaison with ASIC)** As soon as practicable after the date of this Agreement, providing an advanced draft of the Scheme Booklet, in a form approved in accordance with clause 6.1(d), to ASIC for review and approval for the purposes of section 411(2) of the Corporations Act and:
  - (i) liaising with ASIC during the period of ASIC's consideration of that draft of the Scheme Booklet; and
  - (ii) keeping Bidder reasonably informed of any material matters raised by ASIC in relation to the Scheme Booklet, and using all reasonable endeavours in co-operation with Bidder to resolve any such matters.
- (f) **(Approval of Scheme Booklet)** As soon as practicable after the conclusion of the review by ASIC of the Scheme Booklet, procuring that a meeting of the Target Board, or of a committee of the Target Board appointed for this purpose, is convened to consider, and if thought fit, approve, the Scheme Booklet for dispatch to Target Shareholders, subject to the approval of the Court.
- (g) **(Registration)** Requesting ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act.

- (h) **(Section 411(17)(b) statement)** Applying to ASIC for a statement under section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme.
- (i) **(Engage suitable counsel)** Engaging suitable senior counsel to represent Target in all Court proceedings related to the Scheme.
- (j) **(Regulatory notifications)** Without limiting any obligation of Target under any other provision of this Agreement, lodging with each Government Agency within the relevant time periods all necessary documentation and filings in relation to the Scheme and the transactions contemplated by this Agreement.
- (k) **(Court direction)** Applying to the Court for orders under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting.
- (l) **(Scheme Meeting)** Taking all reasonable steps necessary to comply with the orders of the Court, including dispatching the Scheme Booklet to Target Shareholders and convening and holding the Scheme Meeting.
- (m) **(Special General Meeting)** Taking all steps necessary to comply with the requirements of the Corporations Act in convening and holding the Special General Meeting and putting the Capital Reduction Resolution to a vote of Target Shareholders at the Special General Meeting.
- (n) **(Target Scheme Information)** Taking all reasonable steps to ensure that the Target Scheme Information is not false, misleading or deceptive in any material respect (whether by omission or otherwise) as at the Dispatch Date.
- (o) **(Capital Reduction)** Subject to all conditions in clause 3.1 being satisfied or waived, on or before the Implementation Date make the Capital Reduction to each person who is a Target Shareholder as at the Record Date.
- (p) **(Target new information)** Providing to Target Shareholders any further or new information which arises after the Dispatch Date and prior to the Scheme Meeting which is necessary to ensure that the information contained in the Scheme Booklet is not false, misleading or deceptive in any material respect (whether by omission or otherwise).
- (q) **(Court approval)** If Target Shareholder Approval is obtained at the Scheme Meeting, applying (and, to the extent necessary, re-applying) to the Court for orders approving the Scheme.
- (r) **(Documents)** Consulting to the extent reasonable with Bidder in relation to the content of the material documents required for the purposes of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders).
- (s) **(Lodge copy of Court order)** Lodging an office copy of the Court order approving the Scheme (if made) with ASIC no later than 10.00 am on the next Business Day after the order is made.
- (t) **(Registration)** If the Scheme becomes Effective, determining entitlements to the Scheme Consideration as at the Record Date in accordance with the Scheme and executing proper instruments of transfer of, and effecting and entering in the Register the transfer of, the Scheme Shares to Bidder under the Scheme on the Implementation Date.

- (u) **(Register information)** Providing Bidder and its share registry with all information necessary, or reasonably requested, in order to assist Bidder to pay the Scheme Consideration.
- (v) **(Listing)** Take all reasonable steps to maintain Target's listing on ASX, notwithstanding any suspension of the quotation of Target Shares, up to and including the Implementation Date, including making any appropriate applications to ASX and ASIC.
- (w) **(Incentive plans)** Subject to Court approval of the Scheme but with effect from the Effective Date, suspend all of its executive and employee incentive plans that will or could result in securities being granted to Target Group Officers.

## **Bidder's obligations**

6.2 Bidder must take all reasonably necessary steps to implement the Scheme in accordance with all necessary laws and regulations as soon as is reasonably practicable and substantially in accordance with the Timetable. This includes:

- (a) **(Deed Poll)** Executing the Deed Poll.
- (b) **(Bidder Scheme Information)** Preparing and providing to Target, in a form appropriate for inclusion in the Scheme Booklet, the Bidder Scheme Information.
- (c) **(Independent Expert's report)** Providing all reasonable assistance and information to the Independent Expert in connection with the preparation of its report for inclusion in the Scheme Booklet.
- (d) **(Representation)** Procuring that it is represented by counsel at the Court hearings convened for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme, at which, through its counsel, Bidder will undertake (if requested by the Court) to do all things and take all steps within its power that may be necessary to ensure the fulfilment of its obligations under the Scheme, and, to the extent that leave of the Court is required for Bidder to be represented at those Court hearings, apply for that leave.
- (e) **(Approval of draft for ASIC)** As soon as reasonably practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procuring that a meeting of the appropriate decision-making body of Bidder is held to consider approving those sections of the draft that relate to Bidder as being in a form appropriate for provision to ASIC for review.
- (f) **(Approval of Scheme Booklet)** As soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procuring that a meeting of the appropriate decision-making body of Bidder is held to consider approving those sections of the Scheme Booklet that relate to Bidder as being in a form appropriate for despatch to Target Shareholders, subject to approval of the Court.
- (g) **(Accuracy of Bidder Scheme Information)** Before the Dispatch Date, confirming to Target the accuracy of the Bidder Scheme Information contained in the Scheme Booklet, and consenting to the inclusion of that information in the form and context in which it appears in the Scheme Booklet, in each case subject to Bidder being reasonably satisfied as to those matters.
- (h) **(Bidder Scheme Information)** Taking all reasonable steps to ensure that the Bidder Scheme Information is not false, misleading or deceptive in any material respect (whether by omission or otherwise) as at the Dispatch Date.

- (i) **(Bidder new information)** Providing to Target any further or new information about Bidder which arises after the Dispatch Date and prior to the Scheme Meeting which is necessary or reasonably required by Target to ensure that the Bidder Scheme Information disclosed to Target Shareholders is not false, misleading or deceptive in any material respect (whether by omission or otherwise).
- (j) **(Scheme Consideration)** If the Scheme becomes Effective, paying the Scheme Consideration in accordance with clause 4.2.
- (k) **(Regulatory notifications)** Without limiting any obligation of Bidder under any other provision of this Agreement, lodging with each Government Agency within the relevant time periods all necessary documentation and filings required by law to be lodged by Bidder in relation to the Scheme and the transactions contemplated by this Agreement.
- (l) **(Reasonable assistance)** Without limiting any obligation of Bidder under any other provision of this Agreement, providing any assistance or information reasonably requested by Target in relation to the Scheme.

### **Timetable**

- 6.3 Each of Target and Bidder must use its reasonable endeavours to perform its obligations (and procure its Representatives to assist in that performance) substantially in accordance with the Timetable.

### **Conduct of appeals**

- 6.4 If the Court refuses to grant an order convening the Scheme Meeting or approving the Scheme, then Target and Bidder must consult with each other in good faith as to whether to appeal the Court's decision. If, in the opinion of senior counsel obtained by either party within five Business Days of the Court's decision, there are reasonable prospects of successfully appealing the Court's decision then:
- (a) Target must appeal the Court's decision, the cost of which is to be borne equally by Target and Bidder; and
  - (b) the Sunset Date will be extended by a period of 4 weeks (or any earlier date agreed to by Target and Bidder) to account for the period for determination of the appeal on an expedited basis.

### **Recommendation of the Directors**

- 6.5 Subject to clause 6.6, each Director in office at the relevant time must, in the public announcement, Scheme Booklet and in any other public statements made after execution of this Agreement and relating to the Scheme or the Capital Reduction recommend that Target Shareholders vote in favour of:
- (a) all resolutions to be proposed at the Scheme Meeting in relation to the Scheme and approve the Scheme; and
  - (b) the Capital Reduction Resolution to be proposed at the Special General Meeting, without any qualification other than a qualification that the recommendation is subject to:
  - (c) no Superior Proposal being made; and
  - (d) the Independent Expert opining in its final report to Target for inclusion in the Scheme Booklet that the Scheme is in the best interests of Target Shareholders.

- 6.6 The Directors may only make a public statement or take any other action that qualifies their support of the Scheme or contradicts, or subsequently change, withdraw or modify, the recommendation referred to in clause 6.5 where:
- (a) the Independent Expert does not opine in its final report to Target for inclusion in the Scheme Booklet that the Scheme is in the best interests of Target Shareholders;
  - (b) the Directors determine that a Competing Proposal constitutes a Superior Proposal; or
  - (c) the Directors have determined in good faith and acting reasonably after consultation with Target's independent legal and financial advisers, that making the recommendation referred to in clause 6.5 may constitute a breach of the Directors' fiduciary duties or statutory obligations.
- 6.7 The Scheme Booklet will state that each Director who holds Target Shares, or on whose behalf Target Shares are held, intends to vote in favour of the Scheme, without any qualification other than a qualification that the intention is subject to:
- (a) no Superior Proposal being made; and
  - (b) the Independent Expert opining in its final report to Target for inclusion in the Scheme Booklet that the Scheme is in the best interests of Target Shareholders.
- 6.8 Target represents and warrants to Bidder that it has been advised by each Director in office at the date of this Agreement that he will act in accordance with clause 6.5, 6.6 and 6.7.

### **Conduct of business**

- 6.9 Subject to clause 6.10, during the Exclusivity Period, Target must, and must use reasonable endeavours to ensure that each other Target Group Member:
- (a) conducts its businesses, and maintains its assets, in all material respects in the ordinary and proper course of business consistent with past practice, in substantially the same manner as previously conducted;
  - (b) complies in all material respects with all material contracts to which a Target Group Member is a party, and with laws, authorisations and licenses applicable to each Target Group Member; and
  - (c) does not take or fail to take any action that constitutes a Target Prescribed Event or that could reasonably be expected to result in a Target Prescribed Event.
- 6.10 Without limiting clause 6.9 but subject to clause 6.11, Target must not, and must procure that each Target Group Member does not, from the date of this Agreement up to and including the Implementation Date, do any of the following (or agree or offer to do any of the following):
- (a) acquire or dispose of (or offer or agree to acquire or dispose of) one or more assets, entities or business (or any interest in one or more entities, businesses or assets), or enter into (or offer or agree to enter into) any agreement that would require expenditure or the foregoing of revenue, for an amount (or, in the case of a disposal, with a book value) in aggregate exceeding \$500,000, or make an announcement in relation to such acquisition, disposal, offer or agreement;
  - (b) enter into, or offer to enter into or agree to enter into, any joint venture or partnership, grant any licence or option or right of first refusal over any of its property or assets or an interest in its property or assets, or make an announcement in relation to such an entry, offer or agreement;



- (c) enter into any onerous or long term contract or commitment or incur a contingent liability except in the ordinary course of business or proposes or agrees to do any of those things;
  - (d) increase the remuneration of, pay any bonus to, issue any securities or options to or otherwise vary the employment agreements with, or pay any termination payment (other than as provided for in an existing employment contract in place as at the date of this Agreement) or accelerate the rights to benefits of any kind of, any of its Officers or consultants;
  - (e) increase the levels of any borrowings or debit balances from their levels as at the date of this Agreement (except for drawdowns on existing working capital or overdraft facilities in the ordinary course of business);
  - (f) guarantee, indemnify or provide security for the obligations of any person (except as may be required under this Agreement); or
  - (g) exceed current bank borrowing or cash reserve limitations.
- 6.11 Any restriction on conduct which is imposed in clause 6.9 does not apply to the extent that:
- (a) the conduct, or the intention to carry out the conduct, was fairly disclosed in the Target Due Diligence Information; or
  - (b) the conduct is required to be undertaken by a Target Group Member in connection with the Scheme, this Agreement or the Capital Reduction; or
  - (c) the conduct is approved in writing by Bidder, which approval must not be unreasonably withheld or delayed.

### **Appointing directors**

- 6.12 As soon as practicable on the Implementation Date after the transfer of the Scheme Shares to Bidder under the terms of the Scheme, subject to receipt by Target of signed consents to act from the nominee directors of Bidder, Target must:
- (a) take all actions necessary to cause the appointment of the nominees of Bidder to the Target Board and the board of directors of each other Target Group Member; and
  - (b) procure that those directors on the Target Board and the board of directors of each other Target Group Member which Bidder nominates resign with effect from the Implementation Date, with the exception of any director that has entered into a written agreement with Bidder prior to the Implementation Date to remain as a director of a Target Group Member.

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## **7. Warranties**

### **Target Warranties**

- 7.1 Target represents and warrants to Bidder (on its own behalf and separately as trustee for each of the other Bidder Indemnified Parties) at the date of this Agreement and on each subsequent day until and including 8:00 am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date) that:
- (a) each Target Group Member is a corporation validly existing under the laws of its place of incorporation;
  - (b) each Target Group Member has not had:

- (i) a liquidator or provisional liquidator appointed;
  - (ii) a receiver, receiver and manager, trustee, controller, official manager or similar officer appointed;
  - (iii) an administrator appointed, whether under Part 5.3A of the Corporations Act or otherwise; or
  - (iv) an application made for the appointment of an administrator, liquidator or provisional liquidator over all or part of its business, assets or revenues and no Target Group Member nor any of their respective boards of directors have passed a resolution for any such appointment;
  - (v) an application made for its winding up;
- (c) it has taken all necessary corporate action to authorise entry into this Agreement and has taken or will take all necessary corporate action to authorise the performance of this Agreement and to carry out the transactions contemplated by this Agreement;
- (d) it has full corporate power to execute, deliver and perform its obligations under this Agreement and to carry out the transactions contemplated by this Agreement;
- (e) this Agreement constitutes a legal, valid and binding obligation of it enforceable in accordance with its terms by appropriate legal remedy, subject to laws generally affecting creditors' rights and the principles of equity;
- (f) this Agreement does not and will not conflict with or result in the breach of or default under any provision of its constitution or any material term or provision of any order, judgment, or law to which any Target Group Member is a party or is subject or by which any Target Group Member is bound;
- (g) it has obtained all necessary consents and approvals to enable it to enter into this Agreement and will have obtained, prior to 8.00 am on the Second Court Date, all necessary consents and approvals to enable it to perform this Agreement;
- (h) as at the date of this Agreement its issued equity securities comprise:
- (i) 1,140,312,866 Target Shares;
  - (ii) 43,227,196 Options; and
  - (iii) 9,580,674 Performance Rights,
- and there are no other options, preference shares of any class, rights, performance rights, shares, convertible notes or other securities on issue, and no Target Group Member is under any obligation to issue and has not granted any person the right to call for the issue of any such securities in it;
- (i) the Target Due Diligence Information is complete, accurate and not misleading in all material respects (including by omission);
- (j) Target has not knowingly or recklessly:
- (i) omitted to disclose information to Bidder prior to the date of this Agreement, the disclosure of which might reasonably be expected to have resulted in Bidder not entering into this Agreement or not agreeing to implement the Scheme, or entering into this Agreement on materially different terms;

- (ii) omitted anything from the Target Due Diligence Information such as to make any part of that information materially false or misleading; or
  - (iii) included anything materially false or misleading in the Target Due Diligence Information;
- (k) the Target Scheme Information:
  - (i) will comply in all material respects with the requirements of all applicable laws, including the Corporations Act, applicable ASIC guidance and policies and the Listing Rules; and
  - (ii) be provided on the understanding that each of the Bidder Indemnified Parties will rely on that information for the purposes of preparing the Bidder Scheme Information and implementing the Scheme;
- (l) as at the Dispatch Date, the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the Bidder Scheme Information and the Independent Expert's report) will not be misleading or deceptive in any material respect (whether by omission or otherwise); and
- (m) it is not in breach of its continuous or periodic financial disclosure obligations under the Listing Rules or the Corporations Act and, subject to the announcement of the Scheme and the execution of this Agreement in accordance with clause 9.1, as at the date of this Agreement Target is not relying on Listing Rule 3.1A to withhold any information from disclosure under the Listing Rules (to avoid any doubt not including details of approaches from other parties regarding various alternative transactions).

### **Target indemnity**

- 7.2 Target agrees with Bidder (on Bidder's own behalf and separately as trustee for each of the other Bidder Indemnified Parties) to indemnify and keep indemnified the Bidder Indemnified Parties from and against all Claims, liabilities and loss which any of the Bidder Indemnified Parties may suffer or incur by reason of any breach of the representation and warranty in clause 7.1(k).
- 7.3 For the purpose of clause 7.2, Bidder is taken to be acting as agent and trustee on behalf of and for the benefit of each of the Bidder Indemnified Parties. Target acknowledges that Bidder and each of the Bidder Indemnified Parties may bring action directly against Target in respect of any breach of the Target Warranties.

### **Bidder Warranties**

- 7.4 Bidder represents and warrants to Target (on its own behalf and separately as trustee for each of the other Target Indemnified Parties) at the date of this Agreement and on each subsequent day until and including 8:00 am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date) that:
- (a) it is a corporation validly existing under the laws of its place of incorporation;
  - (b) no Bidder Prescribed Event has occurred;
  - (c) it has taken all necessary corporate action to authorise the entry into this Agreement and has taken or will take all necessary corporate action to authorise the performance of this Agreement and to carry out the transactions contemplated by this Agreement;
  - (d) it has full corporate power to execute, deliver and perform its obligations under this Agreement and to carry out the transactions contemplated by this Agreement;

- (e) this Agreement constitutes a legal, valid and binding obligation of it enforceable in accordance with its terms by appropriate legal remedy, subject to laws generally affecting creditors' rights and the principles of equity;
- (f) this Agreement does not and will not conflict with or result in the breach of or default under any provision of its constitution or any material term or provision of any order, judgment, or law to which it, or any of its Subsidiaries, is a party or is subject or by which it or any of its Subsidiaries is bound;
- (g) it has obtained all necessary consents and approvals to enable it to enter into this Agreement and will have obtained, prior to 8.00 am on the Second Court Date, all necessary consents and approvals to enable it to perform this Agreement;
- (h) as at the Dispatch Date, the Bidder Scheme Information, in the form and context in which it appears in the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act will not be false, misleading or deceptive in any material respect (whether by omission or otherwise);
- (i) the Bidder Scheme Information provided to Target in accordance with clause 6.2(h) for inclusion in the Scheme Booklet will:
  - (i) comply in all material respects with the requirements of all applicable laws, including the Corporations Act, applicable ASIC guidance and policies and the Listing Rules; and
  - (ii) be provided on the understanding that each of the Target Indemnified Parties will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act; and
- (j) Bidder will be able to pay the Scheme Consideration in accordance with the terms of this Agreement and the Deed Poll.

### **Bidder indemnity**

- 7.5 Bidder agrees with Target (on Target own behalf and separately as trustee for each of the other Target Indemnified Parties) to indemnify and keep indemnified the Target Indemnified Parties from and against all Claims, liabilities and loss which any of the Target Indemnified Parties may suffer or incur by reason of any breach of the representation and warranty in clause 7.4(h).
- 7.6 For the purposes of clause 7.5, Target is taken to be acting as agent and trustee on behalf of and for the benefit of each of the Target Indemnified Parties. Bidder acknowledges that Target and each of the Target Indemnified Parties may bring action directly against Bidder in respect of any breach of the Bidder Warranties.

### **Release and Survival**

- 7.7 Each party:
- (a) releases its rights against, and will not make any Claim against, any past or present Representative of any other party in relation to anything done or purported to be done in connection with the Scheme, any transaction contemplated by or representation or warranty given in this Agreement, any information provided to it by another party or in relation to its execution or delivery this Agreement to the extent that the past or present Representative has acted in good faith and has not engaged in any wilful

misconduct. Nothing in this clause 7.7(a) excludes any liability that may arise from wilful misconduct or bad faith on the part of any person; and

- (b) holds the releases in clause 7.7(a) in respect of its past and present Representatives as trustee for those Representatives.

7.8 Each representation and warranty in clauses 7.1 and 7.4:

- (a) is severable;
- (b) will survive termination of this Agreement; and
- (c) is given with the intent that liability under it is not confined to breaches which are discovered before the date of termination of this Agreement.

### **Survival of indemnities**

7.9 Each indemnity in this Agreement (including those in clauses 7.2 and 7.5):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this Agreement; and
- (d) will survive termination of this Agreement.

### **No other warranties or reliance**

7.10 Each party acknowledges that no other party (nor any person acting on that other party's behalf) has made any warranty, representation or other inducement to it to enter into this Agreement, except for the representations and warranties expressly set out in this Agreement.

7.11 Each party acknowledges and confirms that it does not enter into this Agreement in reliance on any warranty, representation or other inducement by or on behalf of any other party, except for any warranty or representation expressly set out in this Agreement.

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## **8. Termination**

### **Termination for breach**

8.1 Without prejudice to any other rights of termination under this Agreement, either party may terminate this Agreement by giving the other party written notice at any time before 8.00 am on the Second Court Date if:

- (a) either:
  - (i) the other party is in material breach of any material term of this Agreement; or
  - (ii) there has been a breach of a representation or warranty given by the other party under clauses 7.1 or 7.4 (as applicable) on or before the Second Court Date and:
    - (A) the breach was of a kind that, had it been disclosed to the party prior to its entry into this agreement, could reasonably be expected to have resulted in that party either not entering into this agreement or entering into it on materially different terms; or

- (B) the breach amounts to, results in, or discloses anything, that could reasonably be expected to represent a material adverse effect on the relevant party's business, financial affairs or prospects; and
- (b) the party wishing to terminate this Agreement has given the other party a written notice setting out details of the breach and stating its intention to terminate this Agreement; and
- (c) the breach has not been remedied within 20 Business Days (or any shorter period ending immediately before 8.00 am on the Second Court Date) from the date the notice under clause 8.1(b) is given.

### **Automatic termination**

8.2 This Agreement will terminate automatically without the need for action by any party in the event that:

- (a) subject to paragraph (b), Target Shareholder Approval is not obtained at the Scheme Meeting; or
- (b) if clause 3.3 requires Target to apply for the order referred to in that clause, the order is refused with the result that the Scheme is not approved by Target Shareholders.

### **Termination by Target or Bidder**

8.3 Either of Bidder or Target may terminate this Agreement by giving the other party written notice if:

- (a) the Court refuses to grant an order convening the Scheme Meeting or approving the Scheme and either:
  - (i) Bidder and Target fail to agree on conducting an appeal under clause 6.4 within five Business Days of the Court's decision and Target is not otherwise obliged to conduct an appeal in accordance with clause 6.4; or
  - (ii) Bidder and Target agree to conduct an appeal under clause 6.4 within five Business Days of the Court's decision but the appeal is unsuccessful;
- (b) the Scheme is not approved by the Court under section 411(4)(b) of the Corporations Act on or before the Sunset Date; or
- (c) Bidder changes the transaction structure from the Scheme to a takeover bid under Chapter 6 of the Corporations Act, provided that the takeover bid is at an offer price per Target Share which is at least equal to the Scheme Consideration plus either the Capital Reduction or a contemporaneous capital reduction on terms consistent with the Capital Reduction.

8.4 This Agreement may not be terminated by a party under clause 8.3 if the relevant event described in clause 8.3 is a result of (either alone or together with other events or circumstances) an act or omission by that party or any of its Related Bodies Corporate that results in a breach of this Agreement.

### **Termination following change of recommendation**

8.5 Without prejudice to any other rights of termination under this Agreement, Bidder may terminate this Agreement by giving the Target written notice at any time before 8.00 am on the Second Court Date if any Director fails to make the recommendation referred to in clause

6.5 or withdraws his recommendation that Target Shareholders vote in favour of the Scheme or publicly announces that he no longer supports the Scheme.

### **Effect of termination**

- 8.6 If either Target or Bidder terminates this Agreement under clauses 3 or 8, this Agreement and the parties' obligations under it cease, other than obligations under this clause and clauses 7.2, 7.3, 7.5, 7.6, 7.7, 7.9, 9, 10, 12, 13, 15 and 16 which will survive termination.
- 8.7 Termination of this Agreement under clauses 2 or 8 does not affect any accrued rights of a party in respect of a breach of this Agreement prior to termination.
- 

## **9. Public announcements**

### **Announcement of the Scheme**

- 9.1 Immediately after the execution of this Agreement, Target must issue a public announcement in a form previously agreed to in writing by Bidder.

### **Public announcements**

- 9.2 Except as permitted under clause 9.1, neither party may make a public announcement about this Agreement (including any termination of this Agreement), the Scheme Booklet or the Scheme unless:
- (a) the other party has given its prior approval to form of the announcement (acting reasonably); or
  - (b) applicable law or the Listing Rules requires an announcement to be made, subject to clause 9.4.
- 9.3 Each party must use its reasonable endeavours to participate constructively and promptly with respect to the approvals and consultation contemplated by clauses 9.2 and 9.4.

### **Required disclosure**

- 9.4 If applicable law or the Listing Rules require a party to make an announcement or disclosure about the subject of this Agreement, the Scheme Booklet or the Scheme, that party may only do so after it has given the other party prior notice (of at least one Business Day if possible, subject to complying with all applicable laws and the Listing Rules) and consulted (to the fullest extent reasonable in the circumstances) with the other party about the form and content of the announcement or disclosure.

### **Statements on termination**

- 9.5 Without limiting clause 9.2, the parties must act in good faith and use all reasonable endeavours to issue an agreed statement or announcement in respect of any termination of this Agreement.
- 

## **10. Confidentiality**

### **Confidentiality Agreement**

- 10.1 The parties acknowledge and agree that they are bound by the terms of the Confidentiality Agreement except that if there is any conflict or inconsistency between the terms of this Agreement and the Confidentiality Agreement, the terms of this Agreement will prevail to the extent of the conflict or inconsistency.

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## 11. Conduct of Court proceedings

- 11.1 Nothing in this Agreement gives any party any right or power to make undertakings to the Court for or on behalf of another party without that party's written consent.
- 11.2 Each party agrees to give all undertakings to the Court in all Court proceedings which it is reasonably required to give (on an individual basis) to obtain Court approval and confirmation of the Scheme as contemplated by this Agreement.
- 

## 12. Break Fee

### Break Fee

- 12.1 Subject to clauses 12.2, 12.3, 12.4 and 12.5, if:
- (a) at any time before the Scheme Meeting is held (or is scheduled to be held), the Target Board fails to recommend the Scheme to Target Shareholders or publicly withdraws, qualifies or varies its recommendation of the Scheme in a manner adverse to Bidder or otherwise makes a public statement that it no longer supports the Scheme, other than:
    - (i) in circumstances where Target is entitled to terminate this Agreement under clause 3.12 or 8.1 and the Target has then done so; or
    - (ii) as a consequence of the Independent Expert concluding in its report (or in any revised or supplemental report) that the Scheme is not in the best interests of Target Shareholders;
  - (b) a Competing Proposal is announced during the Exclusivity Period and at any time during the Exclusivity Period or on or prior to the date nine months after end of the Exclusivity Period, the proponent of the Competing Proposal enters into any transaction that was a Competing Proposal;
  - (c) Bidder validly terminates this Agreement in accordance with clause 8.1; or
  - (d) the condition in clause 3.1(f), (h), (j), (l), (m), (n), (o), (p) and (q) is breached or not satisfied prior to 8.00 am on the Second Court Date and Bidder terminates this agreement as a result,

then Target must pay to Bidder the amount of \$400,000 (**Break Fee**).

### Qualifications

- 12.2 The Break Fee is not payable by Target if the Scheme becomes Effective.
- 12.3 The Break Fee is not payable by Target if Target validly terminates this Agreement in accordance with clause 8.1 unless the Bidder is entitled to the payment of the Break Fee before Target validly terminates this Agreement.
- 12.4 The Break Fee is only payable once and the maximum amount payable by Target under clause 12.1 is the amount of the Break Fee.

### Compliance with law

- 12.5 If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a court that all or any part of the Break Fee required to be paid under clause 12.1 (**Impugned Amount**):



- (a) is unlawful;
  - (b) involves a breach of directors' duties; or
  - (c) constitutes unacceptable circumstances or breaches an order of the Takeovers Panel,
- then:
- (d) the requirement to pay the Break Fee does not apply to the extent of the Impugned Amount; and
  - (e) if Bidder has received the Impugned Amount, it must refund it within five Business Days of the final determination being made.

## **Acknowledgments**

12.6 Each of Target and Bidder acknowledge that:

- (a) it has received legal advice on this Agreement and the operation of this clause; and
- (b) it considers this clause to be fair and reasonable and that it is appropriate to agree to the terms in this clause in order to secure the significant benefits to it (and its shareholders) which would result from the implementation of the Scheme.

12.7 Each of Target and Bidder acknowledge that:

- (a) if Target and Bidder enter into this Agreement and the Scheme is subsequently not implemented in any of the circumstances described in clause 12.1, Bidder will incur significant costs; and
- (b) in the circumstances referred to in clause 12.7(a), Bidder has requested that provision be made for the payment of the Break Fee, without which Bidder would not have entered into this Agreement.

12.8 Target acknowledges that the Break Fee has been calculated to reimburse Bidder for the following:

- (a) fees for legal and financial advice in planning and pursuing the Scheme;
- (b) reasonable opportunity costs incurred in engaging in the Scheme and in not engaging in other alternative acquisitions or strategic initiatives;
- (c) costs of management and directors' time in planning and pursuing the Scheme;
- (d) out-of-pocket expenses incurred in planning and pursuing the Scheme; and
- (e) costs associated with the financing arrangements in respect of the Scheme,

in each case, incurred by Bidder directly or indirectly as a result of having entered into this Agreement and pursuing the Scheme.

12.9 Each of Target and Bidder acknowledge that:

- (a) the amount of fees, costs and losses referred to in clause 12.88 is inherently unascertainable and that, even after termination of this Agreement, the costs will not be able to be accurately ascertained; and
- (b) the amount of the Break Fee is a genuine and reasonable pre-estimate of the amount of fees, costs and losses referred to in clause 12.88, it being acknowledged by the parties that the costs would most likely be in excess of the amount of the Break Fee.

## **Payment – Break Fee**

- 12.10 Any Break Fee which is payable under this clause must be paid within five Business Days of receipt of a written demand from Bidder. The demand may only be made after the occurrence of an event referred to in clause 12.1.

## **Exclusive remedy**

- 12.11 Despite any other provision of this Agreement, where the Break Fee becomes payable to Bidder under this Agreement (or would be payable if a demand was made), Bidder cannot make any Claim against Target or any other Target Indemnified Party in relation to any loss to Bidder or any Bidder Indemnified Party arising from the Scheme not proceeding, any event or occurrence referred to in clause 12.1, and any and all liability of Target and the Target Indemnified Parties in relation to any breach by Target of its obligations under this Agreement or any breach of any Target Warranty except in the case of a wilful breach of this Agreement by Target.

## **Regulatory intervention**

- 12.12 If any Australian regulatory body (including ASIC or the Takeovers Panel) or an Australian court requires any modification (including requiring such a modification as a condition of consenting to or approving the Scheme or as a condition of not opposing the Scheme) to the Break Fee, including as to the amount or circumstances in which it is to be paid, then:
- (a) the parties will accept this determination and amend this Agreement to that extent, and
  - (b) it will not result in a breach of this Agreement or termination of the transactions contemplated by it.

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## **13. Exclusivity**

### **Termination of existing discussions**

- 13.1 Target warrants that, as at the date of this Agreement other than in relation to the discussions with Bidder in connection with the Scheme and this Agreement, it has, and its Representatives have, ceased any existing discussions or negotiations with any party which may reasonably be expected to lead to a Competing Proposal, including any such discussions or negotiations that concern the sale of an interest in any asset of the Target Group.
- 13.2 During the Exclusivity Period, Target must as soon as reasonably practicable, ensure that the electronic data room access granted to any third party prior to the date of this Agreement in connection with a Competing Proposal is withdrawn.

### **No shop**

- 13.3 During the Exclusivity Period, Target must not, and must ensure that its Representatives do not, except with the prior written consent of Bidder, solicit, invite, initiate or encourage any Competing Proposal or any enquiries, negotiations or discussions with any third party that concern, or that could reasonably be expected to lead to, an expression of interest, offer or proposal from any person in relation to a Competing Proposal.

### **No talk**

- 13.4 Subject to clause 13.13, during the Exclusivity Period, Target must not and must ensure that its Representatives do not, except with the prior written consent of Bidder:

- (a) negotiate or enter into or participate in negotiations or discussions with any person; or
  - (b) communicate an intention to do any of these things,
- in relation to, or which may reasonably be expected to lead to:
- (c) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by Target or any of its Representatives or the person has publicly announced the Competing Proposal; or
  - (d) the Scheme not proceeding.

### **No due diligence**

- 13.5 Subject to clause 13.13, during the Exclusivity Period, Target must not and must ensure that its Representatives do not, except with the prior written consent of Bidder, make available to any other person or permit any other person to receive any non-public information relating to the Target Group, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

### **Notification of Competing Proposals**

- 13.6 Subject to clause 13.13, during the Exclusivity Period, if a Competing Proposal is put to Target (**Other Proposal**) then Target must promptly inform Bidder of that fact, the identity of the person or persons involved in the Other Proposal and the key terms of the Other Proposal. For the purposes of this clause, a material variation to an Other Proposal which has previously been notified to Bidder is taken to be a new Other Proposal to which this clause applies.

### **Bidder's matching right**

- 13.7 If, at any time during the Exclusivity Period, Target receives a proposal in relation to a bona fide Competing Proposal that the Target Board considers to be a Superior Proposal, Target must give Bidder notice in writing of that fact, which notice must provide all material details of the Competing Proposal, including details of the proposed bidder or acquirer, the key terms of any proposal made by that bidder or acquirer (a **Superior Proposal Notice**).
- 13.8 If Target gives Bidder a Superior Proposal Notice, Target agrees that it will not, until the expiration of two Business Days following the receipt of the Superior Proposal Notice by Bidder (with the time of receipt being determined in accordance with clause 15):
- (a) enter into any legally binding agreement with respect to the Competing Proposal;
  - (b) publicly recommend the Competing Proposal; or
  - (c) otherwise progress or facilitate the Competing Proposal, including without limitation providing the proponent of the Competing Proposal with access to any confidential information of Target.
- 13.9 If Target gives Bidder a Superior Proposal Notice and if the proposal has not been announced, Bidder agrees that the notice will be Confidential Information of Target (as defined in the Confidentiality Agreement), subject to the Confidentiality Agreement.
- 13.10 If Target gives a Superior Proposal Notice, Bidder will have the right, but not the obligation, at any time until the expiration of two Business Days following receipt of the notice to:
- (a) offer to amend the terms of the Scheme; or
  - (b) to propose any other transaction,

(each, a **Bidder Counterproposal**), and if Bidder does so, the Target Board must review the Bidder Counterproposal in good faith and in what the Target Board considers is required to comply with its fiduciary and statutory duties, to determine whether the Bidder Counterproposal is more favourable to Target Shareholders than the Competing Proposal.

- 13.11 If the Target Board determines, in good faith and in order to satisfy what the Target Board considers to be its fiduciary and statutory duties, that the Bidder Counterproposal is more favourable to Target Shareholders than the Competing Proposal, then:
- (a) if the Bidder Counterproposal contemplates an amendment to the Scheme, the parties must use their best endeavours to enter into an agreement amending this Agreement in relation to the Scheme and reflecting the Bidder Counterproposal;
  - (b) if the Bidder Counterproposal contemplates any other transaction, Target must make an announcement as soon as reasonably practicable recommending the Bidder Counterproposal, in the absence of a more favourable proposal, and the parties must use their best endeavours to pursue implementation of the Bidder Counterproposal in good faith; and
  - (c) Target must not take any of the steps referred to in clause 13.8.
- 13.12 For the purposes of clauses 13.7 to 13.11, each material successive modification of any third party proposal in relation to a Competing Proposal will be deemed to constitute a new proposal and the provisions of these clauses will apply to each such new proposal.

### **Fiduciary out**

- 13.13 The restrictions in clauses 13.4, 13.5, 13.6 and 13.7 to 13.12 do not apply to the extent they restrict Target or the Target Board from taking or refusing to take any action with respect to a Competing Proposal (in relation to which there has been no contravention of this clause 13) provided that:
- (a) the Competing Proposal is bona fide and is made in writing by or on behalf of a person that the Target Board considers is of reputable commercial standing; and
  - (b) the Target Board has determined in good faith, after consulting with Target's advisors to the Scheme, that:
    - (i) the Competing Proposal is a Superior Proposal; and
    - (ii) taking or failing to take the action with respect to the Competing Proposal would, or would be reasonably likely to, involve a breach of the fiduciary or statutory obligations of any Target director.

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## **14. Costs and stamp duty**

### **Costs**

- 14.1 Subject to clause 12 and 14.2, each party must bear its own costs and expenses (including professional fees and stamp duty) incurred by it in connection with the negotiation, preparation and execution of this Agreement and the implementation or attempted implementation of the Scheme.

### **Stamp duty**

- 14.2 Bidder must pay all stamp duty and any related fines or penalties in respect of this Agreement, the Deed Poll and the acquisition of the Scheme Shares in accordance with the Scheme.

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## 15. Notices

### Requirements

15.1 All notices must be:

- (a) in legible writing and in English;
- (b) addressed to the recipient at the address, email address or fax number set out below or to any other address, email address or fax number that a party may notify to the other:

to Target:

|            |  |
|------------|--|
| Address:   | Level 10, 350 Collins Street, Melbourne VIC 3000   |
| Attention: | Frank Terranova/Kerry Parker   |
| Fax no:    | +61 3 8622 2399  |
| Email:     | <a href="mailto:fterranova@unitymining.com.au">fterranova@unitymining.com.au</a> /<br><a href="mailto:kparker@unitymining.com.au">kparker@unitymining.com.au</a> |

with a copy to Baker & McKenzie:

|            |  |
|------------|--|
| Address:   | Level 19, 181 William Street, Melbourne VIC 3000   |
| Attention: | Richard Lustig / Rick Troiano  |
| Fax no:    | +61 3 9614 2103  |
| Email:     | <a href="mailto:richard.lustig@bakermckenzie.com">richard.lustig@bakermckenzie.com</a> /<br><a href="mailto:riccardo.troiano@bakermckenzie.com">riccardo.troiano@bakermckenzie.com</a> |

to Bidder:

|            |  |
|------------|--|
| Address:   | Suite 2105, Level 21, Goldfields House, 1 Alfred St, Sydney NSW 2000       |
| Attention: | Nick Woolrych  |
| Fax no:    | 02 6360 2783   |
| Email:     | <a href="mailto:Nick.woolrych@pybar.com.au">Nick.woolrych@pybar.com.au</a> |

with a copy to :

|            |   |
|------------|---|
| Address:   | Ironstone Capital, Level 26, 259 George St, Sydney NSW 2000 |
| Attention: | Greg Arandt   |

|         |  |
|---------|--|
| Fax no: | +61 2 8248 1271  |
| Email:  | <a href="mailto:garandt@ironstonecapital.com.au">garandt@ironstonecapital.com.au</a> |

- (c) signed by the party making the communication or by a person duly authorised by that party;
- (d) sent to the recipient by hand, prepaid post (airmail if to or from a place outside Australia), email or facsimile; and
- (e) if sent by email, in form which:
  - (i) identifies the sender;
  - (ii) is electronically signed by the sender or an authorised officer of the sender; and
  - (iii) clearly indicates the subject matter of the notice in the subject matter of the heading of the email.

## Receipt of notices

- 15.2 Without limiting any other means by which a party may be able to prove that a notice has been received by the other party, a notice will be considered to have been received:
- (a) if sent by hand, when left at the address of the recipient;
  - (b) if sent by pre-paid post, three Business Days (if posted within Australia to an address in Australia) or 10 Business Days (if posted from one country to another) after the date of posting;
  - (c) if sent by fax, on receipt by the sender of an acknowledgment or transmission report generated by the sender's machine indicating that the whole fax was sent to the recipient's fax number; or
  - (d) if sent by email, when the sender receives an automated message confirming delivery or four hours after the time the email is sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered, whichever occurs first.
- 15.3 If a notice is served by hand, or is received by email or by the recipient's fax, on a day that is not a Business Day, or after 5.00 pm on a Business Day, the notice will be deemed to be duly received by the recipient at 9.00 am on the next Business Day.

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## 16. General

### Entire agreement

- 16.1 To the extent permitted by law, in relation to the subject matter of this Agreement, this Agreement:
- (a) embodies the entire understanding of the parties and constitutes the entire terms agreed on between the parties; and

- (b) supersedes any prior agreement (whether or not in writing) between the parties other than the Confidentiality Agreement.

### **Further assurances**

- 16.2 Each party must, at its own expense, whenever requested by the other party, promptly do or, to the extent reasonably practicable, arrange for others to do everything, including executing any documents, reasonably necessary to give full effect to this Agreement and the transactions contemplated by this Agreement.

### **No merger**

- 16.3 The rights and obligations of the parties do not merge on completion of any transaction contemplated under this Agreement. They survive the execution and delivery of any assignment or other document entered into to implement any transaction contemplated under this Agreement.

### **Assignment**

- 16.4 A party cannot assign, novate or otherwise transfer or deal in any other way with any of its rights or obligations under this Agreement without the other party's prior written consent.

### **Invalid or unenforceable provisions**

- 16.5 If a provision of this Agreement is invalid or unenforceable in a jurisdiction:
- (a) it is to be read down or severed in that jurisdiction to the extent of the invalidity or unenforceability; and
  - (b) that fact does not affect the validity or enforceability of that provision in another jurisdiction or the remaining provisions.

### **Waiver and exercise of rights**

- 16.6 A waiver by a party of a provision of, or of a right under, this Agreement is only binding on the party granting the waiver if it is given in writing and is signed by the party or an authorised officer of the party granting the waiver.
- 16.7 A waiver is effective only in the specific instance and for the specific purpose for which it is given.
- 16.8 A single or partial exercise of a right by a party does not preclude another exercise of that right or the exercise of another right.
- 16.9 The failure to exercise, or the delay in exercising, a right does not operate as a waiver or prevent the party so failing or exercising its right from later doing so.

### **Amendment**

- 16.10 Except as expressly provided to the contrary in this Agreement, this Agreement may only be amended by a document signed by or on behalf of each party.

### **Counterparts**

- 16.11 This Agreement may be signed in counterparts and all counterparts taken together constitute one document.

## **Rights cumulative**

- 16.12 Except as expressly provided to the contrary in this Agreement or as permitted by law, the rights, powers and remedies provided in this Agreement are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Agreement.

## **Consents or approvals**

- 16.13 A party may give its approval or consent conditionally or unconditionally, or withhold its approval or consent, in its absolute discretion unless this Agreement expressly provides otherwise.

## **Severability**

- 16.14 If a provision of this Agreement is invalid or unenforceable in a jurisdiction:
- (a) it is to be read down or severed in that jurisdiction to the extent of the invalidity or unenforceability; and
  - (b) that fact does not affect the validity or enforceability of that provision in another jurisdiction, or the remaining provisions of this Agreement.

## **GST**

- 16.15 Unless expressly included, the consideration for any supply under or in connection with this Agreement does not include GST.
- 16.16 To the extent that any supply made by a party to another party (**Recipient**) under or in connection with this Agreement is a taxable supply and a tax invoice has been provided to the Recipient, the Recipient must pay, in addition to the consideration to be provided under this Agreement for that supply (unless it expressly includes GST) an amount equal to the amount of that consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply.
- 16.17 The amount of GST payable in accordance with clause 16.16 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

## **Governing law and jurisdiction**

- 16.18 This Agreement is governed by the laws of Victoria, Australia.
- 16.19 Each party irrevocably and unconditionally:
- (a) submits to the non-exclusive jurisdiction of the courts of Victoria, Australia; and
  - (b) waives, without limitation, any claim or objection based on absence of jurisdiction or inconvenient forum.

## **Service of process**

- 16.20 Each party agrees that a document required to be served in proceedings about this Agreement may be served:
- (a) by being delivered to or left at its address for service of notices under clauses 15.1 and 15.2; or
  - (b) in any other way permitted by law.



## Execution

**Executed** as an agreement.

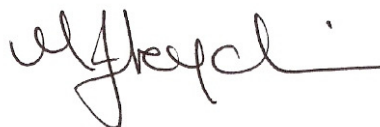
**Signed by**  
**Unity Mining Limited**  
by a director and secretary/director:



\_\_\_\_\_  
Signature of director

**Frank Terranova**  
**6 December 2015**

\_\_\_\_\_  
Name of director (please print)

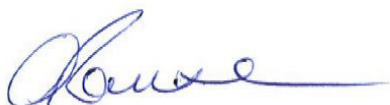


\_\_\_\_\_  
Signature of director/secretary

**Melanie Leydin (Company Secretary)**  
**6 December 2015**

\_\_\_\_\_  
Name of director/secretary (please print)

**Signed by**  
**Diversified Minerals Pty Ltd**  
by the sole director and sole company  
secretary:



\_\_\_\_\_  
Signature of sole director and sole company  
secretary

**Andrew Lloyd Rouse**  
**6 December 2015**

\_\_\_\_\_  
Name of director and sole company secretary  
(please print)



\_\_\_\_\_  
Signature of witness

**Nicholas Hunter Woolrych**  
**6 December 2015**

\_\_\_\_\_  
Name of witness (please print)



**Unity Mining Limited**

ABN 61 005 674 073

Level 10 350 Collins Street

Melbourne VIC 3000

T: +61 (0)3 8622 2300

F: +61 (0)3 8622 2399

E: [info@unitymining.com.au](mailto:info@unitymining.com.au)

W: [unitymining.com.au](http://unitymining.com.au)

10 February 2016

Andrew Lloyd Rouse  
Diversified Minerals Pty Ltd  
1688 Forest Road  
ORANGE NSW 2800

Dear Andrew

**Unity Mining Limited - Scheme Implementation Agreement**

We refer to the Scheme Implementation Agreement dated 6 December 2015 (**SIA**) between Unity Mining Limited ACN 005 564 073 (**Unity**) and Diversified Minerals Pty Ltd ACN 603 135 584 (**Diversified Minerals**). Terms defined in the SIA have the same meaning in this letter agreement unless the context otherwise requires.

In accordance with clause 16.10 of the SIA, the parties agree to amend the SIA as follows:

1. clause 1.1, definition of "Scheme" - deleting the reference to "Target Shareholders" and replacing it with "Scheme Shareholders";
2. clause 3.6 - deleting the reference to "3.1(k)";
3. clause 3.7 - inserting a reference to "(k)" by amending the clause as follows:  

*"The conditions in clauses 3.1(a), (b), (c), ~~and (d)~~ and (k) cannot be waived."*
4. clause 7.1(h)(i) - deleting the reference to "1,140,312,866" and replacing it with "1,143,084,568";
5. clause 7.1(h)(iii) - deleting the reference to "9,580,674" and replacing it with "1,623,844"; and
6. clause 12.1(d) - deleting the reference to "(o)".

Each party confirms that, other than as provided for in this letter agreement, the SIA remains in full force and effect.

Please acknowledge Diversified Minerals' acceptance of the above terms by arranging for Diversified Minerals to sign the declaration below and returning a copy to us.

Yours sincerely

**Frank Terranova**  
**Acting Managing Director**  
**Unity Mining Limited**

I acknowledge acceptance by Diversified Minerals Pty Ltd ACN 603 135 584 of the above terms:

Signature  
Date: 10<sup>th</sup> February 2016  
**Andrew Lloyd Rouse**  
**Sole director and sole company secretary**