

Unity Mining  
Limited

ABN 61 005 674 073

**Corporate Details:**

ASX Code: UML

*Issued capital:*  
505.3M ord. shares

*Substantial Shareholders:*  
Orbis Funds 59.6M (11.7%)  
STRS Ohio 37.0M (7.2%)

*Directors:*

Non-Executive Chairman:  
Peter McCarthy  
Managing Director:  
Andrew McIlwain  
Non-Executive Directors:  
Ronnie Beevor  
David Ransom

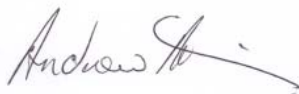
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Andrew McIlwain  
Managing Director & CEO  
18 October 2012

## Key Points

- Announced proposed Merger with Cortona Resources
- Quarterly production of 7100 oz gold at \$1597/oz incl. royalties
- High grade Read Zone accessed this week, 6 months ahead of plan
- Maiden Mineral Resource for Read Zone (69,000 tonnes at 12.5 g/t gold for 28 koz).
- \$39.4M cash at bank

## Summary

*Andrew McIlwain, Managing Director & CEO comment* "The proposal to merge with Cortona is the culmination of an extensive review of the opportunities available to grow and diversify our business. We are excited about the prospects for the Dargues Reef Project, and are confident that our financial resources and management capability will help to accelerate its development. The combined company, with targeted annual production of around 100,000 ounces, will be a strong platform for further growth.

"As recently announced, a focus at Henty on development to the high grade Read Zone during the quarter has enabled us to schedule first ore from Read in October, six months earlier than originally planned. However, a consequence of some one-off operational issues together with the push to accelerate development to Read has been a below-par production result in the September quarter, and a retiming of our production profile. Subsequent quarters are planned to recapture the production that was forgone as higher grade ore from the Read Zone comes on line, significantly increasing the average head grade. We remain committed to delivering against our full-year guidance of 45-55,000 ounces this financial year.

"GoldStone's exploration programs continued to yield further encouraging results, including a resource upgrade to 502,000 ounces at the Homase/Akrokerrri project in Ghana. Drilling is also underway at the Oyem project in Gabon, testing a 15 km long gold anomaly " said Mr McIlwain.

### Production

- Henty Gold Mine produced 7100 oz at a cash cost of \$1597/oz which includes royalties of \$117/oz, (10,692 oz gold at \$1148/oz in June 2012 quarter).

### Exploration

- Read Zone drilling results including 1.5 m at 22.9 g/t, 3.0 m at 23.6 g/t and 1.9 m at 22.4 g/t gold have continued to demonstrate the high grade tenor of the mineralisation.
- Exploration drilling at Newton has now identified the lower boundary of the mineralisation to the north. The zone remains open down-dip to the south.
- GoldStone Resources (34% owned by Unity Mining) announced a resource update for the Homase/Akrokerrri project in Ghana. Exploration has also advanced at projects in Senegal & Gabon.

### Corporate

- Announced proposal for merger with Cortona Resources.
- Reported full-year net profit of \$12.9 M for FY12.
- Gold sales were \$13.7 million during the quarter from the sale of 8586 oz gold at an average price of \$1593/oz.
- Cash in bank was \$39.4 million at 30 September 2012 (\$44.3 million at 30 June 2012). In addition, \$8.0 million is held in bonds to meet rehabilitation liabilities.

## BACKGROUND

Unity Mining Limited (ASX: UML) is an Australian gold explorer and producer which owns and operates the Henty Gold Mine on the West Coast of Tasmania and is involved in gold exploration in West Africa through its investment in GoldStone Resources Limited. Unity also holds tenure over the Bendigo Goldfield in Victoria where it is engaged in realising the value of its Kangaroo Flat gold plant and Bendigo exploration tenements.

The Henty Gold Mine has produced about 1.3 million ounces of gold over a 16 year period. Unity Mining acquired Henty in July 2009. Recent exploration success has significantly extended the mine life, and continued exploration on the significant near mine tenement package remains a key focus.

Cashflow, a robust balance sheet and significant cash position provide Unity with a strong platform for future growth opportunities.

## PRODUCTION

### Safety

There were no lost time injuries and three medically treated injuries during the quarter. The continuing improvement in safety performance is encouraging. Incidents are thoroughly investigated and corrective actions identified and implemented to prevent recurrence. Safety is a core value of the Company. Implementing strategies to identify and manage risks in our workplaces remains our highest priority.

### Performance

	Sep 2012 Qtr	Jun 2012 Qtr	Year to Date 2012/13
<b>Henty Gold Mine</b>			
Ore mined (t)	69,822	75,092	69,822
Ore processed (t)	70,378	76,645	70,378
Grade (g/t gold)	3.5	4.7	3.5
Recovery (%)	89.8	93.1	89.8
Gold produced (oz)	7100	10,692	7100
Cash cost - pre royalty (A\$/oz)	1480	1035	1480
Cash cost - incl. royalty (A\$/oz)	1597	1148	1597
Cash cost - incl. royalty (A\$/t)	161	159	161

Note: Minor discrepancies may occur due to rounding

### Henty Operations

Underground mine development of 1078 metres was completed during the quarter (1192 metres June12 qtr), primarily developing the Newton ore body and accessing the Read ore body. Exploration and development drilling during the quarter focused on the Read, Newton and Zone 15.

Since the decision to mine an access to the Read Zone was made in the last quarter, approximately \$2.5 million has been spent on development and infrastructure. Each operating shift has a dedicated crew focussed on bringing this area into full production.

Drilling in the Read Zone returned high grade intersections of 1.5 m at 22.9 g/t, 3.0 m at 23.6 g/t

and 1.9 m at 22.4 g/t gold. Elsewhere, drill results returned for Zone 15 included 1.8 m at 8.1 g/t and 3.8 m at 10.1 g/t gold. Other results are detailed later in this report.

Capital development in the Newton Zone advanced 248 metres, with 12,708 tonnes of ore produced from 229 metres of Newton sill development. An additional 229 metres of capital development was completed to access and improve the exploration horizon for future diamond drilling at the Read Zone.

- Mining

Ore was mined from three sources, with the Newton Zone contributing 69%, Tyndall Zone 8% and Darwin South 23% of the 69,822 total tonnes mined. Stopping contributed 60%, development 33% and flat-backing 7%.

- Processing

The milled head grade for the quarter averaged 3.5 g/t with 89.8% recovery. Process plant utilisation decreased to 90.5% as a result of lower ore availability. Total ore processed for the quarter was 70,378 tonnes for a total gold metal recovery of 7100 ounces and silver metal recovery of 9163 ounces.

## EXPLORATION

Two underground rigs continued to test targets in and around the Henty Gold Mine. In-mine exploration was focused on testing the Read Zone and above the previously-mined Zone 15. Drilling results from the Read Zone have continued to confirm the high grade tenor of the mineralisation. Regionally, surface drilling at the Firetower Project also commenced, with the first three holes of a five hole program completed during the September quarter.

### Henty Exploration

- Read Zone

Sustained drilling at the Read Zone in September quarter has continued to demonstrate the continuity of high grade mineralisation. Following the decision last quarter to commit to developing access to this emerging high grade zone, a further 229 m of access development was completed during the September quarter to access the Read Zone in preparation for mining to commence in the December Quarter. This access development will also provide enhanced locations for subsequent drill testing of the Read Zone, which remains open to the north and south alongside the Henty Fault.

Read Zone September Quarter drilling results and an updated longitudinal section diagram as shown on the following page.

- Newton Zone

A further 6 holes were completed in the Newton Zone during the Quarter. These have now defined the lower boundary of the northern Newton mineralisation. The Newton Zone remain open at depth to the South, and drilling in the December quarter will now focus on testing in this region.

Read Zone September Quarter drilling results :

Hole Number	From (m)	To (M)	Downhole Width (m)	Gold Grade (g/t)
Z18481	125.8	127.0	1.2	0.1
Z18483	121.2	112.5	1.3	0.1
Z18484	114.0	115.7	1.7	4
Z18485	133.4	136.0	2.6	0.3
<b>Z18487</b>	<b>125.3</b>	<b>126.8</b>	<b>1.5</b>	<b>22.9</b>
Z18488	125.7	126.6	0.9	4.8
Z18489	118.8	121.0	2.2	4.1
Z18490	123.9	127.7	3.8	0.5
Z18491	137.0	138.3	1.3	0.3
Z18492A	136.0	137.2	1.2	0.04
Z18495	146.0	151.2	5.2	0.2
Z18502	114.0	115.0	1.0	5.6
Z18502	117.0	119.0	2.0	1.8
Z18503	120.0	121.0	1.0	1.4
Z18505	94.0	98.0	4.0	1.5
Z18505	101.0	102.0	1.0	3
Z18507	80.0	84.0	4.0	2.2
Z18507	88.0	90.0	2.0	4
<b>Z18508</b>	<b>80.0</b>	<b>83.0</b>	<b>3.0</b>	<b>23.6</b>
Z18509	74.0	78.0	4.0	0.4
<b>Z18511</b>	<b>80.8</b>	<b>82.7</b>	<b>1.9</b>	<b>22.4</b>
Z18512	85.0	86.0	1.0	1.1
Z18512	93.0	94.0	1.0	1
Z18514	103.0	104.0	1.0	1.3
Z18516	99.1	99.9	0.8	0.4
Z18517	105.0	107.0	2.0	0.2
Z18519	102.4	103.6	1.2	0.5
Z18520	131.3	133.0	1.7	0.02
Z18523	147.7	149.8	2.1	3.6
Z18526	97.0	99.2	2.2	7.6
Z18528	78.0	80.0	2.0	1.3
Z18529	71.0	73.0	2.0	3.9
Z18531	92.0	105.3	13.3	0.1
Z18533	125.2	126.5	1.4	0.2
Z18535	139.8	140.6	0.8	0.8

• Zone 15

A total of 16 holes targeting up-dip extensions of the previously-mined Zone 15 were completed during the quarter. At the end of the quarter interpretation to determine the significance of all results was in progress.

The best results are shown in the table below:

Hole Number	From (m)	To (M)	Downhole Width (m)	Gold Grade (g/t)
Z18518	99.4	103.2	3.8	10.1
Z18521	92.2	97.4	5.3	4.3
Z18524	73.3	74.0	0.8	13.3
Z18510	103.5	105.3	1.8	8.1

**Regional Exploration**

Regional exploration during the quarter focused on drilling at the Firetower Project and on down-hole electro-magnetic (EM) testing of targets at Moxon, Platter Zone, Murchison and Lakeside.

• Firetower Project

Drilling is now underway at Firetower, testing for depth extensions to known high-grade zones and at Firetower West, testing soil anomalies. At the end of the quarter, three holes had been completed, with one in progress.

Hole FTD 38 was drilled at Firetower West, where it intersected anomalous copper and gold mineralisation in strongly altered volcanic breccias (peak of 0.64 g/t gold over 1.0 m down hole, from 60.0-61.0 ; 0.45% copper over 4.1 m down hole, from 417.9-422.0 m, and 0.23% copper over 3.4 m down hole, from 448.0-451.4 m).

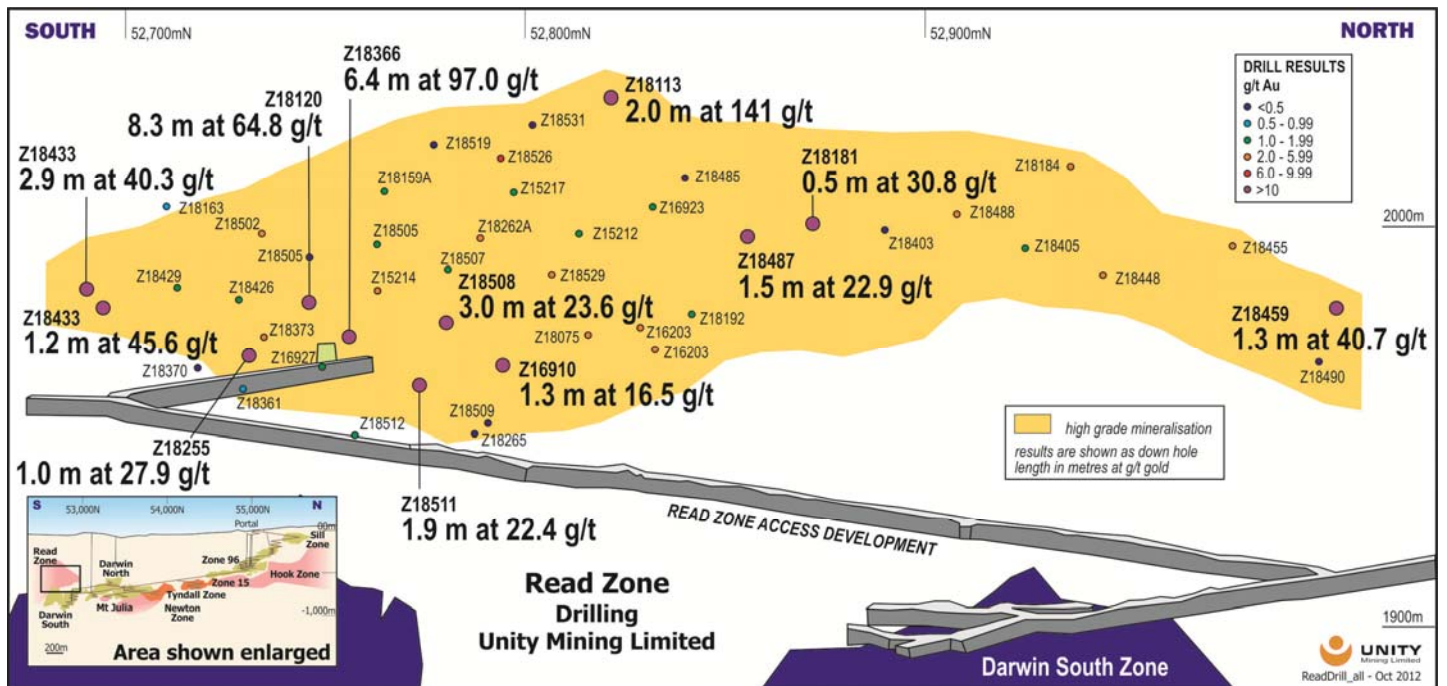


Figure 1: Drilling at the Read Zone. Numerous holes have also intersected both encouraging structure and mineralisation outside the shaded high grade envelope shown above.

Holes FTD 39 and FTD 40 both tested deep strike extensions on the western edge of the known Firetower gold mineralisation. The former did not return significant assays but FTD 40 intersected 38 m (down hole), from 132 m to 170 m which averaged 0.7 g/t gold. This included 3 m at 2.6 g/t gold from 137 to 140 m and 2 m at 3 g/t gold from 142 m to 144 m.

Holes FTD 41 and 42 are designed to test for northern extensions of the Firetower mineralisation. FTD 41 is in progress and FTD 42 will be drilled next quarter.

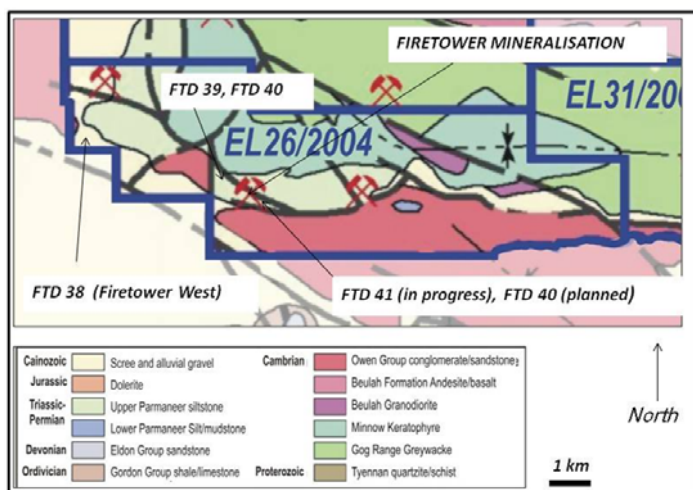


Figure 2: Drilling at the Firetower Project.

- Down-hole EM Program

Late in the quarter, an Outer Rim Down Hole Electro-magnetic (DHEM) survey crew began to survey holes at Lakeside, Murchison, Red Hills, and the Platter Zone. At all of these prospects the gold mineralisation is associated with conductive minerals; at Lakeside with significant pyrrhotite, at Murchison with pyrite and base metals and at the Platter Zone with copper. The DHEM is designed to detect off-hole conductors, which at these prospects is anticipated to be associated with gold mineralisation.

## GOLDSTONE RESOURCES

On 12 July 2012, Unity’s 34%-owned AIM listed associate GoldStone Resources Ltd announced it had received assay results for six additional drill holes in the Homase/Akrokkerri project area in **Ghana**, which confirm further depth extensions of the Homase/Akrokkerri gold resource. Assay results for an additional 20 drill holes completed along the Homase/Akrokkerri trend are pending and Goldstone have identified the potential for a further resource upgrade as a result. In the same announcement, GoldStone said it has completed an airborne VTEM (Versatile Time-Domain Electromagnetic) survey over large parts of the Homase/Akrokkerri project area, with interpretation of the electromagnetic and radiometric data pending.

On 1 August, GoldStone announced an updated Mineral Resource at the Homase/Akrokkerri Project. Mineral resources now stand at 502,000 oz (8.99 million tonnes at an average grade of 1.74 g/t gold).

CATEGORY	TONNAGE	GRADE	CONTAINED GOLD
	Tonnes (million)	(Au g/t)	Ounces
Measured	1.55	2.26	113,000
Indicated	4.17	1.75	234,000
Measured & Indicated	5.72	1.89	347,000
Inferred	3.27	1.47	155,000
<b>Total</b>	<b>8.99</b>	<b>1.74</b>	<b>502,000</b>

This updated estimate is based on results from 23 drill holes drilled in the Homase/Akrokkerri licence area which intersected mineralisation along a strike length of 640 metres under the northern half of the Homase open pit, where the previously known high grade shoot is located. In addition to these drill holes the GoldStone has completed a further 20 drill holes aimed at depth extensions of the Homase/Akrokkerri mineral resource and covering an additional 1,600 metres of strike length. The results from these drill holes will be the subject of a further mineral resource upgrade if they are positive.

In **Senegal**, GoldStone announced on 6 September that it had received encouraging first assay results from its Rotary Air Blast (RAB) drilling programme at Sangola, Senegal.

The RAB drilling program (418 holes for a total of 11,358 m) was carried out from May to July 2012. Initial results delineated a 1.2 km long mineralised zone that remains open along strike and depth and is up to 70 metres wide. Results from this area include 9 m at 4.7 g/t gold (including 3 m at 11.8 g/t gold) and 3 m at 4.9 g/t gold. The best part of the mineralisation locates in a favourable structural setting where a north-east trending structure (black intermittent line) cuts across the mineralised zone.

RAB drilling results from the north-eastern and south-western ends of the Thiabedji anomaly are still pending.

On 25 July, GoldStone announced that drilling had commenced at the GoldStone’s Oyem project in **Gabon**. The 3000 metre diamond drill program will initially target the central zone of the fifteen kilometre long Oyem gold in soil anomaly.

Further details can be found on GoldStone’s website at [www.goldstoneresources.com](http://www.goldstoneresources.com)

## CORPORATE

### Cortona merger

On 28 September, the Company announced a proposal to merge with ASX-listed Cortona Resources, owners of the construction-ready Dargues Reef gold project in New South Wales.

Rationale for the Merger:

- Combination of Unity's operating Henty Gold Mine in Tasmania and substantial cash holding with Cortona's near term development Dargues Reef Gold Project in New South Wales
- The financial and operational strength to underpin the development of Dargues Reef, reflecting Unity's strong cash reserves, production and cash flow from Henty and a credit approved \$42 million funding package
- A combined growth profile showing production increasing from around 50,000 ounces per annum to around 100,000 ounces per annum once Dargues Reef achieves full production
- The financial resources to more aggressively explore the attractive exploration interests of the combined company in Tasmania, New South Wales and West Africa
- The prospect of a material market re-rating, as the Merger:
  - \* addresses Cortona's current funding uncertainty
  - \* positions the merged company for the near term development of Dargues Reef
  - \* results in a merged company with expected production that is twice that of either Unity or Cortona on a standalone basis
  - \* increases market and investor relevance, as a result of enhanced critical mass
  - \* grows market capitalisation and improves liquidity
  - \* achieves asset and geographic diversification
- Opportunities for real synergies
  - \* access to Unity's proven underground mining operational and development skills
  - \* prospect of corporate and operating cost savings
  - \* potential to use components from Unity's Kangaroo Flat plant to reduce the capital cost of the Dargues Reef development
  - \* Unity's demonstrated capacity to operate in sensitive environments

The Merger will be implemented as a "merger of equals" by way of a scheme of arrangement between Cortona and its shareholders, under which Cortona shareholders will receive 0.734 Unity shares for every 1 share they hold in Cortona. Cortona shareholders will collectively hold approximately 28% of the shares in the merged company, with Unity shareholders collectively holding the remaining 72%.

Full detail of the merger proposal and indicative timeline for the scheme process are included in the ASX releases made on 28 September, and on the Company's website – [www.unitymining.com.au](http://www.unitymining.com.au)

### General

Gold sales were \$13.7 million during the quarter from the sale of 8586 oz gold at an average price of \$1593/oz.

Cash in bank was \$39.4 million at 30 September 2012 (\$44.3 million at 30 June 2012). In addition, \$8.0 million is held in bonds to meet rehabilitation liabilities.

Major cash movements during the quarter related to negative mine operating cashflow (\$0.1M), capital and exploration expenditure (\$5.8M), and changes in working capital and other corporate expenses \$1.0M.

On 8 February, the Company announced a share buyback as part of a capital management plan. During the September quarter, the Company purchased and cancelled 870,000 shares at a cost of \$98,117. Since the program commenced, a total of 7,421,273 shares have been purchased and cancelled at a cost of \$1,085,661.

### Competent Persons' Statement

*Any information in this public report that relates to Ore Reserves, Exploration Results and Mineral Resources is based on, and accurately reflects, information compiled by Matt Daly for the Henty Gold Mine in relation to Ore Reserves, Angela Lorrigan for regional Exploration Results and Raul Hollinger in relation to mine Exploration Results and Mineral Resources. Daly, Lorrigan and Hollinger are Members of the Australasian Institute of Mining and Metallurgy, and Lorrigan and Hollinger are Members of the Australian Institute of Geoscientists. Daly, Lorrigan and Hollinger are full time employees of the Company 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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Daly, Lorrigan and Hollinger have given prior written consent, where required, to the inclusion in this report of the matters based on their respective information, where applicable, in the form and context in which it appears.*

*The information in this report that relates to GoldStone Resources exploration results, is based on information compiled by Dr Hendrik Schloeman, who is a Member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation ('ROPO') included in a list promulgated by the ASX from time to time). Dr Schloeman is a full-time employee of GoldStone Resources Limited. Dr Schloeman has sufficient experience, which is relevant to 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Schloeman consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*