



4 April 2016

ASX Release

Unity Mining Limited
ABN 61 005 674 073

Corporate Details:

ASX Code: UML

Issued capital:

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

Directors:

Non-Executive Chairman:
 Clive Jones

Acting Managing Director:
 Frank Terranova

Non-Executive Director:
 Gary Davison

Contact Details:

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Revised Proposal From Diversified Minerals

Unity Mining Limited (ASX: UML, "Unity" or the "Company") is pleased to advise that it has agreed to a variation to the terms of the proposed transaction with Diversified Minerals Pty Ltd ("Diversified Minerals"), such that the total cash payments to be received by Unity Shareholders will be **increased to 3.2 cents per Unity Share** ("Revised Transaction"). This followed the meetings scheduled to consider resolutions relating to the proposed Capital Return and Scheme.

Under the Revised Transaction, Diversified Minerals will increase the scheme consideration from 1.9 cents to 2.2 cents per share. In addition, shareholders will continue to receive a capital return of 1.0 cent per share, taking the total cash payments to 3.2 cents per share. This represents an increase of 10.3% in the payments to be received by Unity Shareholders and a premium of 60% over the price at which Unity shares closed on 4 December 2015, being the last trading day prior to announcement of the original transaction.

In addition, Unity and Diversified Minerals have agreed to a separate transaction in the event that the Revised Transaction does not proceed, under which Unity will sell its interests in the Henty Gold Mine for \$7.1 million¹ (the "Henty Transaction"). The Henty Transaction will be subject to the approval of Unity Shareholders and will only proceed if the resolutions to approve the Revised Transaction fail. Under the previously announced Farm-in and JV agreement, Diversified Minerals has pre-emptive rights on Unity's stake in Henty in the event that Unity wishes to sell.

It is anticipated that the meetings to approve the Revised Transaction and the meeting to approve the Henty Transaction will be held on the same day in late May 2016.

The Unity Board intends to unanimously recommend that, at the forthcoming meetings to approve the Revised Transaction, Unity Shareholders **VOTE IN FAVOUR** of both the Capital Return and the Scheme, in the absence of a superior proposal.

The Unity Board also intends to unanimously recommend, on the basis that the Henty Transaction will only proceed if the Revised Transaction resolutions fail, that Unity Shareholders **VOTE IN FAVOUR** of the Henty Transaction, subject to their fiduciary duties and subject to the independent expert confirming that the sale terms are fair and reasonable to Unity Shareholders.

¹ Includes \$1.8 million for replacement of rehabilitation bonds held by Unity.

Unity and Diversified Minerals have entered into a letter agreement regarding the increase in total cash payments and have entered into a binding term sheet in respect of the Henty Transaction.

This documentation is **attached** to this announcement.

Further information on the meetings in relation to the Revised Transaction and the Henty Transaction is expected to be provided to shareholders by the end of April 2016, following approval by ASIC and the Supreme Court of Victoria.

Commenting on these developments, the Unity Chairman, Mr Clive Jones stated:

“The Unity Board welcomes the increase in the total cash payments to be received by shareholders under the Revised Transaction and we look forward to putting these resolutions to shareholders for their consideration.

“In the event the Revised Transaction does not proceed, the Unity Board is pleased that shareholders will have the opportunity to determine to sell Unity’s remaining interests in the Henty Mine to Diversified Minerals at a price which is above the upper end of the independent expert valuation range previously provided to shareholders.”

For further information contact

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3 April 2016

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

Revised offer to acquire UML

We refer to the proposed scheme of arrangement (**Scheme**) between Unity Mining Limited (**UML**) and Diversified Minerals Pty Ltd (**Diversified Minerals**) and the contemporaneous capital return to UML shareholders (**Transaction**).

1. Revised scheme consideration

- 1.1 Subject to the terms outlined below, Diversified Minerals proposes to increase the scheme consideration offered to UML shareholders under the Scheme to **2.2 cents** per UML share (**Revised Offer**).
- 1.2 Combined with the proposed capital return of 1.0 cent per UML share, this would provide a total cash payment of **3.2 cents** per UML share to UML shareholders, should the Transaction be approved by shareholders and the court.
- 1.3 Diversified Minerals will ensure that PYBAR Holdings Pty Ltd promptly provides a revised commitment to fund the increased payment of the scheme consideration.

2. Conditions to proposed increase in consideration

- 2.1 The Revised Offer is conditional on UML agreeing to the following:
 - (a) If the Scheme is not approved by shareholders or is terminated for any reason, UML will propose to its shareholders a resolution to appoint two nominees of Diversified Minerals to the Board of UML; and
 - (b) UML agrees to sell all of the right, title and interest held by it in all assets of the Henty Gold Project comprising of the following tenements ML 7M/ 1991, ML/ 2006 and ML 5M/2002, on the terms contained in the binding Term Sheet attached as Annexure A, if the Scheme is not approved by shareholders or is terminated for any reason. UML agrees to enter into definitive documents on those terms within 10 business days of the date of this letter.
- 2.2 If shareholders pass the resolution approving the transaction contemplated under paragraph 2.1(b), UML will give a notice of resignation as the manager of the Henty joint venture immediately following the meeting at which that resolution is passed, such resignation to become effective 10 business days after that notice; and
- 2.3 UML will hold a shareholders meeting close to the time of the rescheduled or adjourned scheme meeting to approve the transactions contemplated in paragraphs 2.1(a) and (b) and Unity must use its best endeavours to ensure that such meeting be held no later than the meeting to be called by UML in response to the shareholders meeting recently requisitioned by a member of UML.

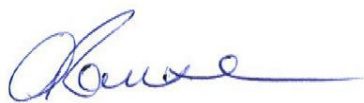
- 2.4 Additional disclosure documents and a notice of meeting, in a form reasonably satisfactory to Diversified Minerals, will be prepared and distributed to shareholders with the relevant court approvals

3. Sunset Date

- 3.1 Diversified Minerals and UML agree that the Sunset Date, as defined in the Scheme Implementation Agreement dated 6 December 2015 between Diversified Minerals and UML, is to be 30 June 2016 or such other date as the parties agree in writing.

Please acknowledge UML's agreement to the above conditions, including the binding terms in the Term Sheet in Annexure A, by signing below and returning the signed letter to andrew.rouse@divminerals.com.au.

Yours sincerely,



Andrew Rouse
Director, Diversified Minerals Pty Ltd

SIGNED for and on behalf of **UNITY MINING LIMITED** by its authorised officer in the presence of:



.....
Witness

Kerry John Parker

.....
Full name of Witness



.....
Authorised Officer

Frank Terranova

.....
Full name of Authorised Officer

Dated: 4 April 2016

Annexure A – Proposed acquisition of the Henty Gold Project

Binding Term Sheet

This Term Sheet is intended to be legally binding on the parties, notwithstanding that the parties intend to subsequently execute definitive transaction documents.

Date: 2 April 2016

Item	Detail
Proposed Transaction	<p>This term sheet ("Term Sheet") summarises the principal terms of a transaction to be entered into in connection with a purchase by Diversified Minerals Pty Ltd (ACN 603 135 584) ("DMPL") (or its nominee) of all right, title and interest held by Unity Mining Limited (ACN 005 774 073) ("Unity") in all assets of the Henty Gold Project comprising of the following tenements ML 7M/ 1991, ML 7M/ 2006 and ML 5M/2002 ("Henty Project") (the "Proposed Transaction") in the event the proposed Scheme of Arrangement between DMPL and Unity fails to satisfy Condition 3.1 (b) of the Scheme Implementation Agreement dated 6 December 2015 ("Scheme") or the Scheme is terminated for any reason.</p>
Parties	<p>The key parties to the Proposed Transaction will be:</p> <ul style="list-style-type: none">a) Diversified Minerals Pty Ltd (ACN 603 135 584) or its nominee (which must be a related body corporate); andb) Unity Mining Limited (ACN 005 674 073) and such other entity within the Unity Mining group of companies that holds assets related to the Henty Project.
Transaction Structure	<p>DMPL will acquire 100% of all the rights, assets, interests, obligations and liabilities under and in respect of the Henty Project as at completion that are owned by Unity or a related body corporate of Unity.</p> <p>On completion of the Proposed Transaction, the Henty Joint Venture Agreement (established under an agreement dated 27 April 2015 between DMPL and Unity) ("JV Agreement") and Farm-In Agreement (established under an agreement dated 27 April 2015 between DMPL and Unity ("Farm-in")), and all associated documents (such as deeds of cross security) will be terminated and all future obligations under the JV Agreement and Farm-in will cease only insofar as it relates to the Henty Project. All rights and entitlements arising prior to termination of the JV Agreement and Farm-in will be preserved. For the avoidance of doubt, all rights DMPL has under the Farm-in to earn an interest in exploration tenements EL 28/2001, EL 8/2009, EL 11/2010 and EL 13/2011 ("Regional Tenements") will be preserved and the transaction documents will be structured to reflect this.</p>
Purchase Price	<p>The Purchase price offered is \$7,100,000 broken up as follows:</p> <ul style="list-style-type: none">a) Cash Consideration: \$5,290,500;b) Assumption of Environmental Bonding Obligations for the Henty Project: \$1,809,500; <p>(together the "Purchase Price")</p> <p>The Purchase Price is exclusive of GST and all applicable taxes, and subject to the satisfaction of the items listed in Conditions Precedent.</p>

	<p>The Purchase Price assumes that immediately prior to completion of the Proposed Transaction, Unity terminates the employment of each employee engaged solely in the Henty Project (Henty Employees). DMPL, at its sole discretion, may at least 7 days prior to completion make an offer of employment to any of the Henty Employees on terms acceptable to DMPL and conditional on completion of the Proposed Transaction.</p> <p>For the avoidance of doubt all employee liabilities and entitlements in respect of Henty Employees in relation to the period prior to the completion of the Proposed Transaction (Relevant Entitlements) remain with Unity and either (i) if a Henty Employee is transferred to DMPL (and not terminated) the Relevant Entitlement must be adjusted for on completion of the Proposed Transaction at the rate of 70% of the relevant liabilities; or (ii) Unity must indemnify DMPL for any loss, cost or expense incurred by it in connection with the Relevant Entitlements.</p> <p>During the Exclusivity Period, DMPL and Unity will, in good faith discuss the transfer of any other employee of Unity involved with the Henty Project. If the relevant employee(s) agrees to transfer, DMPL will assume all employee liabilities and entitlements for the employee(s).</p> <p>In relation to DMPL's obligation to assume the Environmental Bonding Obligations for the Henty Project, the parties acknowledge that, at the date of this term sheet, DMPL has paid to Unity, as a cash payment, an amount equal to 30% of the total Environmental Bonding Obligations in relation to the Henty Project and the parties will adjust for all such cash payments at the time DMPL assumes the obligations for 100% of the Henty Project.</p>
Term and exclusivity	<p>The terms of this Terms Sheet commence on the date on which it is executed by all parties ("Commencement Date") and ends on the earlier of:</p> <ul style="list-style-type: none"> a) The successful implementation of the Scheme; or b) The successful execution of binding documentation in relation to the Proposed Transaction (which DMPL expects could be completed in 10 business days from the Commencement Date). <p>During this period ("Exclusivity Period") Unity agrees to negotiate exclusively and in good faith with DMPL to complete the Proposed Transaction. Unity must not solicit or initiate any discussions with other parties relating to a transaction similar to the Proposed Transaction and must notify DMPL, subject to its requirements at law, of any approaches, offers or other communications it has with other parties that may impact or frustrate the Proposed Transaction.</p> <p>The Exclusivity Period may be extended by mutual agreement between the parties.</p> <p>During the Exclusivity Period, the parties will work together in good faith to draft and negotiate definitive documentation.</p> <p>Nothing in this Terms Sheet prohibits any action or inaction by Unity or any of its related bodies corporate in relation to an actual, proposed or potential proposal in respect of the Henty Project if compliance with that provision would, in the opinion of the Unity Board, acting in good faith, constitute or be likely to constitute, a breach of any of the fiduciary or statutory duties of the directors of Unity, provided that the actual, proposed or potential proposal was not solicited or initiated by Unity (Fiduciary Out).</p> <p>If a third party makes a bone fide offer for the Henty Project, that is capable of execution, DMPL reserves all its rights under the JV Agreement, including the right to exercise its pre-emptive rights to purchase Unity's interests in the Henty Project</p>

Conditions Precedent and covenants	<p>The Proposed Transaction is subject to the following conditions precedent:</p> <ul style="list-style-type: none"> a) the proposed Scheme of Arrangement between DMPL and Unity fails to satisfy Condition 3.1 (b) of the Scheme Implementation Agreement dated 6 December 2015 ("Scheme") or is otherwise terminated; b) shareholder approval is obtained under Listing Rule 10.1 in relation to the Proposed Transaction; c) satisfactory novation or assignment of all material contracts, approvals and licenses (excluding the approval of the transfer of the tenements) relevant to the Henty Project on terms acceptable to DMPL acting reasonably; d) execution by Unity of the transfers for the tenements; e) execution and novation of Franco Nevada royalty documents (substantially in the form already executed by DMPL in relation to the stage 2 farm-in for the Henty Project); and f) no material adverse change to the Henty Project (as defined in the Scheme Implementation Agreement). <p>In addition, Unity must use its best efforts to ensure the Unity shareholders, if required, vote in favour of the Proposed Transaction, subject to the independent expert engaged for the purposes of Listing Rule 10 opining that the Proposed Transaction is fair and reasonable to Unity shareholders (other than DMPL) and subject to the Fiduciary Out.</p>
Covenants of Unity	<p>Prior to the satisfaction of the Conditions Precedent, Unity must (and must procure that the joint venture manager) manage and conduct the Henty Project and their associated/relevant businesses in the ordinary and usual course in compliance with all laws and industry standards, having regard to the fact that the Henty Project is on care and maintenance (and excludes any obligation to retain any employees), including, <i>inter alia</i>:</p> <ul style="list-style-type: none"> ○ maintaining insurance at ordinary levels; ○ ensuring that repairs and maintenance are carried out to plant and equipment as per normal industry standards; ○ comply with any notice or formal requirement from any Governmental Agency or other authority requiring that any action be taken or work done in connection with the business; ○ conduct the business in accordance with all applicable Laws, including, without limitation the authorisations which authorise any activity which is part of the business; ○ maintain all tenements in good standing with applicable agencies; ○ not dispose or agree to dispose of or create an encumbrance over an asset other than in the ordinary course of business; and ○ not enter into any abnormal or unusual transaction which adversely affects the Henty Project.
Key Assets	<p>The key assets that must be transferred as part of the Proposed Transaction include, <i>inter alia</i>:</p> <ul style="list-style-type: none"> a) all assets required to operate the Henty Project, including, but not limited to: <ul style="list-style-type: none"> ○ all fixed and mobile plant and equipment; ○ all spare parts, stores and on-site stockpiles;

	<ul style="list-style-type: none"> ○ all mine planning, geology and other technical information relating to the site (both electronic and paper based); b) ownership of or unfettered perpetual access to, all intellectual property owned by Unity and used in connection with the Henty Project c) all mine planning, mill optimisation, drill results and geological information and other technical information relating to the Henty Project d) all mining leases at which the Henty Project operates; e) novation or assignment of all material contracts relevant to the Henty Project including, but not limited to offtake contracts, supply contracts, maintenance and transportation contracts; and, f) all computer systems (subject to licensing), records and databases used at the Henty Project; g) the Henty Employees solely engaged in the Henty Project (subject to their consent) who accept an offer of employment from DMPL; and h) such other assets as are included as Joint Venture Property as defined in the JV Agreement (including the shares in Henty Gold Pty Ltd). <p>Unity does not make any representation, warranty or indemnity with respect to the Henty Project other than that:</p> <ul style="list-style-type: none"> • it has good title to the Henty Project (and there are no claims from any third party in respect of the Henty Project) and has the power and authority to enter into and perform the Proposed Transaction; • as far as it is aware there is no material undisclosed liability or claims (current or planned) under environmental law or other applicable laws nor any undisclosed material failure to comply with licenses, permits, laws or other authorisations with respect to the Henty Project; and, • as far as it is aware no material information concerning the Henty Project has been intentionally or wilfully withheld from DMPL. <p>Any claim must be brought within 6 months of closing and the liability of Unity will be capped at 50% of the cash component of the Purchase Price.</p>
Confidentiality	The contents of this Term Sheet and all related discussions are completely confidential and may not be disclosed without the prior written consent of all parties, except to the directors of any party to this Terms Sheet or an adviser to a party to this Terms Sheet (but only on a need-to-know basis) and except as required for compliance with the Listing Rules.
Enforceability	The terms in this Term Sheet are legally binding on the parties.
Costs	Each party will bear its own costs of negotiating, preparing and executing this Term Sheet and the definitive documentation contemplated by this Term Sheet.
Governing law	The binding provisions of this Term Sheet are governed by the laws of Victoria, Australia and each party submits to the exclusive jurisdiction of the courts of that jurisdiction.
Advice	Each party should obtain independent tax, financial and legal advice in connection with this Terms Sheet.

Executed by Diversified Minerals Pty Limited)
ACN 603 135 584 in accordance with)
section 127 of the *Corporations Act 2001* (Cth))
by:



Signature of Director

Andrew Rouse

Print name of Director



Signature of Witness

Nicholas Woolrych

Print name of Witness

Executed by Unity Mining Limited (ACN 005)
674 073) in accordance with section 127 of)
the *Corporations Act 2001* (Cth) by:)



Signature of Director

Frank Terranova (Director)

4 April 2016



Signature of Witness

Kerry John Parker (Witness)