

# Notice of General Meeting

Unity Mining Limited  
ABN 61 005 674 073

Notice is hereby given that a **General Meeting** of shareholders of Unity Mining Limited ABN 61 005 674 073 ("**Company**") will be held at the offices of Baker & McKenzie, Level 19, 181 William Street, Melbourne on **Monday 31 August 2015 at 10am AEST**.

## ITEMS OF BUSINESS

### 1. Return of Capital to Shareholders

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That 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 Shares, to be effected by the Company distributing to each Shareholder the amount of \$0.005 (0.5 cents) per Share held as at the Record Date on the terms and conditions set out in the Explanatory Notes."*

### 2. Approval to Issue Securities under Executive Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That for the purposes of ASX Listing Rule 7.2 exception 9(b), and for all other purposes, approval is given for the establishment of the Unity Mining Limited Executive Incentive Plan and the issue of securities under that Plan on the terms and conditions as described in the Explanatory Notes."*

### 3. Grant of Options to Mr Andrew McIlwain

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

*"That pursuant to and in accordance with ASX Listing Rule 10.14 and all other purposes, approval be given to grant 18,752,655 Options to Mr Andrew McIlwain (Managing Director and Chief Executive Officer of the Company) in accordance with the terms of the Company's Executive Incentive Plan as described in the Explanatory Notes."*

## BY ORDER OF THE BOARD

Melanie Leydin  
Company Secretary  
27 July 2015

## **NOTES:**

### **1. Entire Notice**

The details of the resolutions contained in the Explanatory Notes accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.

### **2. Voting**

The Company has determined that for the purposes of the General Meeting, shares will be taken to be held by the persons who are registered as holding the shares as at 7.00pm AEST Melbourne time on Saturday 29 August 2015. Only those persons will be entitled to vote at the General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

### **3. Voting Exclusion Statements:**

#### **3.1 Resolution 1:**

In relation to Resolution 1, there are no voting exclusions.

#### **3.2 Resolution 2:**

The Company will disregard any votes cast on this resolution by the directors (other than a director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those persons. However the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directors on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### **3.3 Resolution 3:**

The Company will disregard any votes cast on the subject resolution by Mr Andrew McIlwain and/or his associates. However the Company need not disregard a vote if it is cast, in accordance with the directors on the proxy form, by a person as proxy for a person who is entitled to vote or, it is cast in accordance with the direction on the proxy form to vote as the proxy decides, by the person chairing the meeting as proxy for a person who is entitled to vote.

## **HOW TO VOTE**

To vote on the Resolutions to be put to the Meeting follow these steps:

- EITHER**    1.    Complete and return the proxy form by following the instructions set out below by not later than 10am AEST on Saturday 29 August 2015.
- OR**            2.    Attend the Meeting.

The sending of a proxy form will not prevent you from attending and voting at the Meeting.

## **PROXIES:**

1. A member entitled to attend and vote at the General Meeting has the right to appoint not more than two proxies.
2. A member who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise one half of the member's votes. Fractions of votes will be disregarded.
3. A proxy need not be a member of the Company. A proxy may be an individual or a body corporate.

4. Any corporation that is a shareholder of the Company may authorise (by a form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chairman) a natural person to act as its representative at the General Meeting.
5. A proxy may decide whether to vote on any resolution, except where the proxy is required by law or the constitution to vote, or abstain from voting, in his or her capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
6. If the member appoints the chairperson of the General Meeting as the member's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that member, in favour of that item. If shareholders intend to appoint the chairperson of the meeting as their proxy, they can direct the chairperson to vote by marking the relevant voting boxes.
7. The member or his or her attorney must sign the proxy form or for proxies lodged through online (see paragraph 8(d) below), such proxies must be duly authenticated. Proxies given by corporations must be signed under the hand of a duly authorised officer (or officers) or attorney or executed by the corporation in accordance with the Corporations Act.
8. To be valid, the form appointing the proxy and for proxies which are to be signed by the power of attorney or other authority (if any) under which it is signed (or a certified copy of that power of attorney or other authority) must be received by the Company's Registrar, Boardroom Pty Limited, not later than 48 hours before the commencement of the General Meeting (or any adjournment of the General Meeting). Proxies may be lodged:
  - (a) by hand to Boardroom Pty Limited, at Level 12, 225 George Street Sydney NSW 2000; or
  - (b) by post to Boardroom Pty Limited, GPO Box 3993, Sydney NSW, 2001; or
  - (c) by facsimile to +61 2 9290 9655 together with a business hours telephone contact number; or
  - (d) online at [www.boardroomlimited.com.au/vote/unitygm2015](http://www.boardroomlimited.com.au/vote/unitygm2015)
9. A proxy form accompanies this Notice of Meeting.

## Definitions

Definitions in the Explanatory Notes and the Notice of Meeting.

**\$** means Australian dollars.

**AEST** means Australian Eastern Standard Time.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**Auditor** means the Company's auditors, Deloitte Touche Tohmatsu.

**Board** means Board of Directors.

**Company** means Unity Mining Limited ABN 61 005 674 073.

**Constitution** means the Company's constitution.

**Director Options** means the options to be issued in accordance with Resolution 3.

**Directors** means the current Directors of the Company.

**Listing Rules** means the Listing Rules of ASX Limited.

**Notice of Meeting** means the notice of meeting attaching to and forming part of the Explanatory Notes, calling the Company's General Meeting.

**Record Date** means the date identified for determining entitlements to receive the Return of Capital set out in the Explanatory Notes for Resolution 1.

**Resolution** means a resolution (including a special resolution) set out in the Notice of Meeting.

**Return of Capital** means the proposed return of \$0.005 (0.5 cents) per Share to Shareholders registered as holding Shares as at the Record Date, the subject of Resolution 1.

**Shares** means fully paid ordinary shares in the capital of the Company.

If you have any questions about the Meeting, the Resolutions to be put to the Meeting or the proposals being considered, please contact the Company Secretary, Ms Melanie Leyden on (03) 8622 2300.

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**Unity Mining Limited**  
**Notice of General Meeting**  
**EXPLANATORY NOTES**

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The information in this document relates to the resolutions to be considered at the General Meeting of members of the Company to be held at 10am AEST on Monday 31 August 2015.

The Explanatory Notes should be read in conjunction with the Notice of Meeting and form part of the Notice of Meeting.

The information in the Explanatory Notes relating to the Resolutions is provided in accordance with the requirements of the Listing Rules and the Corporations Act 2001 (Cth) (Corporations Act).

**1. Agenda Item 1. Return of Capital to Shareholders**

**1.1 Background**

On 12 June 2015, the Company announced that the Board was contemplating what to do with a potential excess of cash which it had available to it.

As at 30 June 2015, Unity had approximately \$28.4 million in cash (unaudited), plus an additional amount of approximately \$3 million in gold in transit.

In light of Unity's strategic intent, Unity has recently completed a detailed assessment of its short to medium term capital requirements. Subject to any unforeseen events, UML believes it has more than sufficient capital to progress its strategic objectives in the near term.

Compared to many other companies within the sector Unity is well placed to balance the need for appropriate capital management whilst continuing to assess the best way forward for growth.

The capital management program is an ongoing assessment and judgment call by the Board. The ability to consider the proposed return of capital reflects the efforts of the management team in turning around and delivering the financial performance that we have seen from Henty over the last 12 months. Unity will continue to formally review its capital requirements on a periodic basis in order to determine the best use of capital as we progress.

The Company proposes to make a cash payment to each Shareholder equivalent to the amount of \$0.005 (0.5 cents) per Share as a Return of Capital. This equates to a reduction of share capital by approximately \$5,701,564, based upon the Company's 1,140,312,866 shares that are currently on issue.

The Record Date for determining entitlements to receive the Return of Capital is 7.00 pm on 4 September 2015.

In light of this:

- (a) Part 2J.1 of the Corporations Act provides that a company may make a general return of capital to shareholders with approval of shareholders by ordinary resolution.
- (b) The Company has cash reserves of approximately \$28.4 million (unaudited, as at 30 June 2015) and the Directors have proposed to return a portion of those cash reserves to Shareholders.

The Company seeks approval for the share capital of the Company to be reduced by the Company distributing to each Shareholder the amount of \$0.005 (0.5 cents) per Share held as at the Record Date.

## **1.2 Corporations Act requirements**

- (a) Under the Corporations Act, a company must not effect a reduction of capital unless:
  - (i) it is fair and reasonable to shareholders as a whole;
  - (ii) it does not materially prejudice the company's ability to pay its creditors; and
  - (iii) it is approved by shareholders.
- (b) In accordance with the Corporations Act:
  - (i) the proposed Return of Capital will be an equal reduction to all Shareholders and requires approval by an ordinary resolution passed at a general meeting of Shareholders;
  - (ii) these Explanatory Notes set out all information known to the Company that is material to the decision on how to vote on Resolution 1, except if this would be unreasonable because the Company has previously disclosed the information to its Shareholders; and
  - (iii) the Company has lodged with ASIC a copy of this Notice of Meeting and accompanying documentation prior to sending them to Shareholders.
- (c) Your Board considers that the proposed Return of Capital is fair and reasonable to the Shareholders as a whole and does not materially prejudice the Company's ability to pay its creditors. As the Return of Capital is an equal capital reduction, each Shareholder is treated equally, the terms of the Return of Capital are the same for each Shareholder and the distribution will be on a pro-rata basis. The proportionate ownership interest of each Shareholder remains the same before and after the Return of Capital is effected.

## **1.3 Effect of Approval of Resolution 1 and the Return of Capital on the Company's existing securities**

- (a) If Resolution 1 is passed the Company intends to make the Return of Capital by way of a pro-rata cash distribution of \$0.005 (0.5 cents) per Share to all Shareholders based on the number of Shares held as at the Record Date.
- (b) No Shares will be cancelled as part of the Return of Capital and the number of Shares of the Company on issue will not be affected.
- (c) As at the date of these Explanatory Notes, the Company has 1,140,312,866 Shares on issue. The Company has proposed a Return of Capital of \$0.005 (0.5) cents per Share resulting in a total aggregate Return of Capital of \$5,701,564.
- (d) The forecast comparative effect on the Share price depending on whether or not the Return of Capital is effected using 30 June 2015 figures is as follows:
  - (i) if Resolution 1 is approved and the Return of Capital is effected in accordance with the terms described, the Company will have a net asset value of approximately \$37.205 million or 3.263 cents per Share;
  - (ii) if Resolution 1 is not approved and the Return of Capital is not affected, the Company will have a net asset value of approximately \$43.007 (as a result of the \$5.7 million Return of Capital being retained by the Company) or 3.772 cents per Share,
- (e) The Return of Capital will not have any effect on the existing performance rights which are on issue.

## 1.4 Indicative Return of Capital Timetable

- (a) The following is an indicative timetable set out by the Directors in relation to the Return of Capital:

Event	Date
Confirmation to ASX of approval of Resolutions	Monday 31 August 2015
Last day for trading in shares on a "cum" basis	Tuesday 1 September 2015
Trading of shares on an "ex" basis commences	Wednesday 2 September 2015
Return of Capital Record Date	Friday 4 September 2015
Effect distribution of cash to Shareholders ("Payment Date")	Wednesday 9 September 2015

- (b) The above dates are indicative only. The Company reserves the right to vary the times and dates set out in the above and any variation to the timetable will be announced to ASX.

## 1.5 Payment of Return of Capital

- (a) If Resolution 1 is approved by Shareholders, payments are expected to be made to individual Shareholders on or about Wednesday 9 September 2015.
- (b) Payments will be made by way of cheque or via direct credit (if a Shareholder has lodged their Australian bank account details with the Company's share registry).
- (c) The Company advises Shareholders to complete the Direct Credit Form enclosed with the meeting documents to provide their Australian bank account details to the Share Registry if they wish to receive their Return of Capital distribution by direct bank transfer.

## 1.6 Tax Implications

- (a) The attached memorandum in the **Annexure** provided by KPMG sets out the expected Australian tax position for individual Shareholders who hold their Shares as capital assets receiving the Return of Capital. In summary:
- Australian resident Shareholders: the Return of Capital is a capital gains tax event for Australian income tax purposes. The Return of Capital will give rise to a taxable capital gain when received where the amount received exceeds the cost base of the Share on which the Return of Capital is made.  
  
Otherwise, the Return of Capital should reduce the cost base of Company Shares held by Shareholders.  
  
Consequently, only Shareholders whose cost base in Company Shares is less than \$0.005 (per share), should realise an immediate capital gain on receipt of the Return of Capital.
  - Non-resident Shareholders: the Return of Capital should not be taxable in Australia unless the shareholder and its associates hold 10% or more of the Shares in the Company (or have held such an interest in the preceding two years).

For those Shareholders that have (or had) a 10% or more holding in the Company, the capital gains tax outcomes are broadly the same as for resident shareholders.

This summary has been prepared for inclusion in this Notice of Meeting and should be read in conjunction with the remainder of this Notice, as well as Annexure B, and the disclaimers set out therein. In providing its views, KPMG has relied upon facts as set out in the Notice of Meeting that have not been independently verified by KPMG. The summary above is general in nature and is not intended to be a comprehensive analysis of taxation laws that may be applicable to each Shareholder. In addition, particular taxation implications will depend on the circumstances of each shareholder. Accordingly, shareholders should seek their own professional advice in relation to their tax position and circumstances.

- (b) No taxation consequences are expected to arise for the Company as a result of effecting the Return of Capital.

## 1.7 Impact on Consolidated Financial Position

A post-Return of Capital Pro-Forma Abridged Consolidated Statement of Financial Position is set out below to demonstrate the financial position of the Company after the payment of the Return of Capital.

The Pro-Forma Abridged Consolidated Statement of Financial Position has been prepared on the following basis:

- The starting position is derived from the un-audited consolidated financial statements of the Company for the year ended 30 June 2015;
- Reflecting the position if the Return of Capital had been completed on 30 June 2015;
- Does not reflect the effect on the financial position of the Company of transactions entered into after 30 June 2015, and up to the date of any Return of Capital being completed.
- In accordance with the measurement and recognition requirements of applicable Australian Accounting Standards and the Company's accounting policies (as reported in the Company's 2014 Annual Report).

	Balance As At 30 June 2015 \$'000	Return of Capital Adjustments \$'000	Costs of Return of Capital \$'000	Pro-Forma Balance As At 30 June 2015 \$'000
<b>Current Assets</b>				
Cash and Cash Equivalents	28,461	(5,702)	(100)	22,659
Trade and Other Receivables	3,430			3,430
Inventories	2,789			2,789
Prepayments	359			359
Other Financial Assets	6,306			6,306
<b>Total Current Assets</b>	<b>41,345</b>	<b>(5,702)</b>	<b>(100)</b>	<b>35,543</b>
<b>Non-Current Assets</b>				
Other Financial Assets	3,966			3,966
Mine Property, Plant and Equipment	23,130			23,130
Exploration and Evaluation	340			340
<b>Total Non-Current Assets</b>	<b>27,436</b>	<b>---</b>	<b>---</b>	<b>27,436</b>
<b>TOTAL ASSETS</b>	<b>68,781</b>	<b>(5,702)</b>	<b>(100)</b>	<b>62,979</b>
<b>Current Liabilities</b>				
	8,220			8,220
Interest Bearing Liabilities	50			50
Provisions	9,011			9,011
Liability Directly Relating to Assets				



Held for Sale	5,710			5,710
<b>Total Current Liabilities</b>	<b>22,991</b>	<b>---</b>	<b>---</b>	<b>22,991</b>
<b>Non-Current Liabilities</b>				
Interest Bearing Liabilities	27			27
Provisions	2,756			2,756
<b>Total Non-Current Liabilities</b>	<b>2,783</b>	<b>---</b>	<b>---</b>	<b>2,783</b>
<b>TOTAL LIABILITIES</b>	<b>25,774</b>	<b>---</b>	<b>---</b>	<b>25,774</b>
<b>NET ASSETS</b>	<b>43,007</b>	<b>(5,702)</b>	<b>(100)</b>	<b>37,205</b>
<b>Shareholder's Equity</b>				
Issued Capital	456,074	(5,702)	(100)	450,272
Reserves	2,286			2,286
Accumulated Losses	(415,353)			(415,353)
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>43,007</b>	<b>(5,702)</b>	<b>(100)</b>	<b>37,205</b>

The Pro-Forma Abridged Consolidated Statement of Financial Position is presented in abbreviated form as a guide and does not contain all of the disclosures that are usually provided in an Annual Report prepared in accordance with Australian Accounting Standards and the Corporations Act. The Pro-Forma Abridged Consolidated Statement of Financial Position does not constitute a representation of the future financial position or prospects of the Company.

Having regard to the Company's current, anticipated and contingent financial requirements, the Director have assessed that the Return of Capital will not adversely impact the rights of the Company's creditors of the ability of the Company to pay its debts as and when they fall due.

Further information about the Company's business, financial position and prospects is contained in the financial report for the financial year ended 30 June 2014, the audit reviewed financial report for the half year ended 31 December 2014, and other Company announcements and reports which can be accessed on the Company's website at [www.unitymining.com.au](http://www.unitymining.com.au).

## 1.8 Advantages of Return of Capital

- (a) The proportionate ownership of Shareholders will remain the same both before and after the Return of Capital (although this may change in due course).
- (b) The Company will retain approximately \$22.6 million (on a pro-forma basis as detailed above) following the proposed Return of Capital.
- (c) Shareholders will benefit in the short term from partly realising value for their Shareholding in the Company as a result of the payment to them via the Return of Capital.

## 1.9 Disadvantages of Return of Capital

The payment of the Return of Capital will reduce the Company's cash balance and should any circumstances arise whereby the business would require it, the Company would need to seek that cash through other means.

## 1.10 Directors Interests

The following list details the Directors' shareholdings in the Company:

Director	Interests
Clive Jones	2,453,634 fully paid ordinary shares held indirectly
Andrew McIlwain	1,949,586 fully paid ordinary shares held indirectly, and

	2,771,702 performance rights
Ronnie Beavor	842,492 fully paid ordinary shares held indirectly
Gary Davison	310,195 fully paid ordinary shares held indirectly
Frank Terranova	32,500,000 fully paid ordinary shares held indirectly

#### 1.11 Your Board's recommendations and intention to vote

Your Board is **UNANIMOUSLY IN FAVOUR** of the Return of Capital, which is the subject of Resolution 1.

Each Director who is also a Shareholder intends to vote **IN FAVOUR** of Resolution 1.

The Chairman of the General Meeting intends to vote undirected proxies **IN FAVOUR** of Resolution 1.

#### 2. Agenda Item 2. Approval to Issue Securities under Executive Incentive Plan

On 12 June 2015, the Company announced that it was considering a revamped long-term equity incentive plan as part of recalibrating the mix of remuneration for its executive team.

The Company's Directors believe an Executive Incentive Plan ("EIP") will form an important part of a comprehensive remuneration strategy for the Company's employees, aligning their interests with those of Shareholders by linking their overall total rewards to the long term success of the Company and its financial performance.

ASX Listing Rule 7.1 imposes a limit on the number of equity securities which the Company can issue without prior shareholder approval. In general terms this limit is no more than 15% of the number of fully paid ordinary shares on issue.

ASX Listing Rule 7.2 exception 9 provides that an issue of securities made under an employee incentive scheme (such as the EIP) is not counted for the purposes of ASX Listing Rule 7.1 provided that certain conditions have been met. One of these conditions is that members have, within the last three years, approved the issue of securities under the scheme as an exception to ASX Listing rule 7.1. Such shareholder approval is sought by Resolution 2.

For the purpose of approval pursuant to exception 9 (b) to Listing Rule 7.2 a summary of the terms of the EIP is set out as follows:

- The EIP sets out the framework for the offer of options by the Company, and is typical for a document of this nature.
- In making its decision to issue options the Board may decide which person is eligible to receive the options, the number of options and the conditions which are to apply in respect of the options.
- The Company has broad flexibility to issue options having regard to a range of potential vesting criteria. In certain circumstances, options expire early if the relevant person is a bad leaver as distinct from a good leaver. However, if the relevant person is a good leaver, then all unvested options immediately vest.
- In certain circumstances, options can vest early in the event of a Change of Control event occurring. In particular, in the event of a successful takeover or scheme of arrangement, all vesting conditions are deemed satisfied and all unvested options become vested options, and any options not promptly exercised lapse.
- There are no participating rights or entitlements inherent in the options and option holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options.
- In the event of any reorganisation of the issued capital of the Company on or prior to the expiry of the options, the rights of an option holder will be changed to the extent

necessary to comply with the applicable Listing Rules in force at the time of the reorganisation.

At the date of this Notice of Meeting, no Options will have been issued under the proposed EIP.

*Your Board's recommendations and intention to vote*

Your Board is **UNANIMOUSLY IN FAVOUR** of the implementation of an Executive Incentive Plan, the subject of Resolution 2.

Under the voting restrictions in place for the Meeting, Directors are excluded from voting on this item of business.

The Chairman of the General Meeting intends to vote undirected proxies **IN FAVOUR** of Resolution 2.

### **3. Agenda Item 3. Grant of Options to Mr Andrew McIlwain**

#### **3.1 Requirement for Shareholder approval**

On 12 June 2015, the Company announced that it was considering a revamped long-term equity incentive plan as part of recalibrating the mix of remuneration for its executive team.

Among other things, and unless a relevant exception applies, ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by resolution prior to issuing or agreeing to issue any equity securities to a director.

#### **3.2 Requirement for Shareholder approval – ASX Listing Rule 10.14**

ASX Listing Rule 10.14 requires a listed company to obtain shareholder approval prior to the issue of equity securities (including an option) to a related party under the EIP. As noted, Mr Andrew McIlwain is a related party of the Company by virtue of the fact that he is a Director of the Company.

ASX Listing Rule 10.15 sets out a number of matters which must be included in a notice of meeting for a proposed approval under ASX Listing Rule 10.14. The following information is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- (a) the number of options proposed to be issued is 18,752,655;
- (b) the Director Options will be issued no later than 12 months from the date of approval (although it is intended to do so within one month after the approval from shareholders is received, and after the capital return has taken effect);
- (c) the terms and conditions of the Director Options are set out in the Executive Incentive Plan the subject of Resolution 2 and in particular, as per below;
- (d) as it is a new EIP, no person has received any options under it to date;
- (e) it is proposed that an additional quantum of options totalling approximately 32,024,585 unlisted options will be issued to other key executives and management personnel of the Company, to be issued on similar terms to the Director Options;
- (f) the Director Options will not have an issue price, no Company loans will apply to them, and no funds will be raised from their issue (although funds may be raised from their exercise).

### 3.3 Details of the proposed issue of Director Options

Name	Title	Number of Director Options	Number of Shares which each Director Option confers a right to acquire	Exercise Price per Share	Vesting date	Expiry
Mr Andrew McIlwain	Managing Director & CEO	18,752,655	1	30% premium to the 10 day VWAP at the time of grant	Options to vest in 3 equal tranches. One third as to 12 months after issue date, one third as to 24 months after issue date, and one third as to 36 months after issue date	4 years from the date of grant

Each Director Option will entitle Mr McIlwain to subscribe for and be issued one Share in the Company at an exercise price which is calculated at a 30% premium to the 10 day VWAP at the time of grant.

Subject to the terms of issue, each Director Option will be exercisable for a period of up to 4 years following grant date, following which the Director Options will lapse/expire.

In the event that Mr McIlwain's options issued pursuant to Resolution 3 are duly exercised, the issue of Shares under the Options will be equal to approximately 1.6% of the Company's fully-diluted share capital (based on the number of Shares on issue as at the date of the Notice of Meeting).

In the event that Mr McIlwain is a good leaver (as defined in the EIP, for example, if he is made redundant), then all unvested options will immediately vest.

In the event that Mr McIlwain is a bad leaver (as defined in the EIP, for example, if his employment contract is terminated), the options (whether vested or unvested) expire shortly thereafter.

Any Shares issued by the Company pursuant to these options will rank equally with, and carry the same rights and privileges as, any other Share (including Shares currently on issue).

### 3.4 Director Options valuation

The Company proposes issuing Mr Andrew McIlwain three tranches of options ("Options") each with varying vesting dates, as follows:

- 6,250,885 Options vesting 12 months after the grant date
- 6,250,885 Options vesting 24 months after the grant date
- 6,250,885 Options vesting 36 months after the grant date

The Board commissioned an independent indicative valuation of the Options. Using the theoretical Binomial option pricing model and based on the assumptions below, the Options were ascribed the following indicative values:

- Share price (cents) (Note A) – 2.22.
- Risk-free rate (Note B) – 1.93%.
- Volatility – 78.16%
- Exercise price (cents) (Note C) – 3.28.
- Time to maturity (years) – 4

- Indicative value of Options (cents per Option) – 1.063
- Total indicative value of all options – \$199,331
- (A) 10 day volume-weighted average share price (VWAP) of UML shares as at 22 July 2015
- (B) 2 year Australian Government Benchmark Yield as at 22 July 2015
- (C) Based on 30% premium over share price (30-day VWAP of UML share price)

This assumes that the capital return has taken effect

**Notes:**

- The exercise price for the Options is the price that is a 30% premium over the 10-day volume-weighted share price (VWAP) of UML shares preceding the grant date
- The grant date for the Options is expected to be on or around Thursday 17 September 2015 and the meeting date is Monday 31 August 2015 to approve the grant of the Options. As such, the Option values above are indicative only and subject to change based on share price and volatility on the actual grant date.
- The Options immediately vest on a change of control or redundancy, while termination of Mr McIlwain's employment will result in vesting of any unvested Options.

### **3.5 Corporations Act - treatment of remuneration matters**

Under Chapter 2E of the Corporations Act, a public company cannot give a 'financial benefit' to a 'related party' unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

In the current circumstances, the issue of the Director Options would constitute a 'financial benefit' as defined in the Corporations Act. A related party of a listed company includes a director of the listed company, a spouse or de factor spouse of a director or any other person specified under section 228 of the Corporations Act to be a related party. As such, a Director constitutes a 'related party' of the Company for the purposes of the Corporations Act.

Accordingly, the proposed issue of Mr Andrew McIlwain's Director Options will constitute the provision of financial benefits to related parties of the Company.

Section 211 of the Corporations Act provides an exception to the provisions of Chapter 2E of the Corporations Act will occur where the financial benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given the circumstances of the Company and the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue of the Director Options, the subject of Resolution 3 is reasonable remuneration:

- (a) for a company of the size and nature of the Company; and
- (b) which, given that the Company has other preferred use for its available cash, is an appropriate alternative for providing incentives to the Directors,

and for those and other reasons, as such, falls within the exception set out in section 211 of the Corporations Act.

The Company considers this to be the case for the reasons set out in Section 3.6 below.

Under the employment arrangements with Mr McIlwain, it is proposed to provide an annual grant of options to Mr McIlwain, under the Long Term Incentive arrangements that form part of the contract between Unity and Mr McIlwain.

Mr McIlwain is currently entitled to receive cash remuneration of \$350,000 per annum (paid monthly) plus statutory superannuation. The issue of options with a value of in the order of \$200,000 as contemplated is intended to supplement this remuneration and to provide an

appropriate level of incentive for him to do so and to align his interest with those of shareholders. The board considers that this represents a reasonable balance of cash and incentive based remuneration and that this is appropriate in all the circumstances.

### **3.6 Intended purpose of issuing Director Options**

The purpose of the grant of the options to the Managing Director is for the Company to appropriately incentivise and provide cost effective remuneration to the Managing Director for his ongoing commitment and contribution to the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the options upon the terms proposed. If the options are not granted, the Company could remunerate the Managing Director for additional amounts of cash. However, the Board considers it reasonable for the remuneration of the Managing Director to have a cash component and an equity component to further align the Managing Director's interests with shareholders and maintain a strong cash position for the Company.

Mr Andrew McIlwain, Unity Managing Director & CEO, has also recently agreed to a further 10% reduction in his base cash salary (on top of a 15% previous reduction in his base cash salary) which has been proposed to be offset with a higher "at risk" component in the form of unlisted share options. Participation in the previous long term incentive plan in the form of Performance Rights will be discontinued.

The potential disadvantage of the Shareholders approving Resolution 3 include dilution of Shareholder interests if the Director Options are exercised at some future time.

#### *Your Board's recommendations and intention to vote*

Each Director who is also a Shareholder (with Mr Andrew McIlwain and his associates abstaining) intends to vote **IN FAVOUR** of Resolution 3.

The Chairman of the General Meeting intends to vote undirected proxies **IN FAVOUR** of Resolution 3.

# Memorandum provided by KPMG regarding the expected Australian tax position for individual shareholders who hold their shares as capital assets receiving the Return of Capital

## Annexure

### Basis of preparation

The comments in this Annexure are based on the Australian taxation laws in force at the date of this Notice of Meeting as they should apply to individual Shareholders holding Company Shares on capital account. This comments in this Annexure are general in nature and are not intended to be a comprehensive analysis of taxation laws that may be applicable to each Shareholder.

The taxation outcomes may be different to those described below for non-individual investors (e.g. companies and superannuation funds) or investors that hold Shares in the Company on revenue account or as trading stock (e.g. share traders). In addition, particular taxation implications will depend on the circumstances of each Shareholder. **The taxation laws are complex and, accordingly, Shareholders should seek their own professional advice in relation to their tax position and circumstances. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed Return of Capital.**

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

### Taxation of Australian resident Shareholders

#### Return of Capital should not be a dividend

The Return of Capital should not be an assessable dividend for income tax purposes. As a result, no franking credits are attached to the Return of Capital.

#### Treatment of capital return – Shares held at Payment Date

The Return of Capital should be a capital return that has certain consequences under the capital gains tax (CGT) rules. The Return of Capital should be treated as CGT event 'G1' in respect of the Company Shares. The consequences to the Shareholder will depend on the Shareholder's cost base in its Shares. A Shareholder's cost base will generally be the cost of acquisition of the Shares, plus any cost incurred incidental to acquiring the Shares (such as brokerage fees and stamp duty).

(a) Where the cost base of each share is \$0.005 or more

Where the cost base of each Share is \$0.005 or more, CGT event G1 in respect of the Return of Capital should not result in a taxable capital gain (nor a capital loss) for the Shareholder. Instead, the cost base (and reduced cost base) of each Share in respect of which the Return of Capital is received should be adjusted down by \$0.005.

This adjusted cost base amount should be used to calculate capital gains and capital losses on future dealings with the Shares by the Shareholder.

(b) Where the cost base of each share is less than \$0.005

Where the cost base of a share is less than \$0.005 per share, then:

- (a) the difference between the \$0.005 Return of Capital (per share) should give rise to an immediate taxable capital gain for the shareholder. The taxable capital gain may be reduced by the 50% CGT discount where the share had been held for more than 12 months prior to the Return of Capital Payment Date; and

- (b) the cost base (and reduced cost base) of the Share should be reduced to nil. This new cost base (and reduced cost base) should be used to calculate capital gains and capital losses on future dealings with the Shares by the Shareholder.

#### **Treatment of capital return – Shares sold after Record Date but before Payment Date**

If a Shareholder has sold its Shares after Record Date it may receive the Return of Capital when it no longer holds the Shares to which the payment relates.

Where this occurs, for CGT purposes, the Shareholder should be treated as continuing to hold a right to receive the Return of Capital as a separate CGT asset following the sale of the Shares. The receipt of the Return of Capital should result in the termination of that right, which should constitute CGT event 'C2'.

The cost base of the residual right to receive the Return of Capital should not include the cost base or reduced cost base of the Share previously owned by the Shareholder that has been applied in working out a capital gain or capital loss made the Company Shares were sold. Therefore, if the full cost base or reduced cost base of a Company Share has been previously applied in working out a capital gain or capital loss made when that Share was sold, the residual right to receive Return of Capital should have a nil cost base.

Consequently the amount of the Return of Capital received should give rise to an immediate taxable capital gain for the Shareholder.

The taxable capital gain may be reduced by the 50% CGT discount where the Share had been held for more than 12 months prior to the Return of Capital Payment Date.

#### **Taxation of Non-resident Shareholders**

##### **Return of Capital should not be a dividend**

The Return of Capital should not be a dividend for income tax purposes. As a result, Australian dividend withholding tax should not apply to the Return of Capital.

##### **Treatment of capital return**

Generally, Shareholders who are not Australian resident for taxation purposes should not be subject to Australian capital gains tax unless their shareholding in the Company is "taxable Australian property". This should only be the case where the Shareholder, together with its associates, presently holds at least 10% of the shares in the Company or had such a holding throughout a 12 month period in the last two years.

For those non-resident Shareholders that have (or had) a 10% or greater holding in the Company, the capital gains tax outcomes should be broadly the same as for resident shareholders (although non-residents may not be able to access the 50% CGT discount).

However, the taxation treatment of non-resident Shareholders can be affected by a number of Shareholder-specific circumstances (e.g. whether the Shareholder has a permanent establishment in Australia). Accordingly, non-resident Shareholders should also obtain their own specific advice on the tax consequences of the Return of Capital, including advice on the tax implications arising on receipt of the Return of Capital in their respective country of residence.

##### **Potential application of deeming rules – all Shareholders**

In certain circumstances the Australian Taxation Office (ATO) can determine that a capital return, such as the Return of Capital, is an amount that has been paid in substitution for a dividend and treat the capital return as an unfranked dividend for tax purposes.

Based on information provided by the Company (including in relation to its dividend payment history and accounting results in recent years) and the non-selective nature of the Return of Capital, KPMG has advised the Company that it considers that the Return of Capital is not being paid in substitution for a



dividend and the ATO should not seek to make a determination to treat the Return of Capital as an unfranked dividend.

To avoid delay in implementing the Return of Capital, the Company has chosen not to seek advance confirmation from the ATO that it agrees with the above summary of the tax position of Shareholders.

#### All Correspondence to:

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** [www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

☎ **By Phone:** (within Australia) 1300 737 760  
(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10:00am AEST on Saturday 29 August 2015.**

### 🖨 TO VOTE ONLINE

**STEP 1: VISIT** [www.votingonline.com.au/unitygm2015](http://www.votingonline.com.au/unitygm2015)

**STEP 2: Enter your holding/investment type:**

**STEP 3: Enter your Reference Number:**

**STEP 4: Enter your VAC:**

**PLEASE NOTE:** For security reasons it is important you keep the above information confidential.

### 📱 BY SMARTPHONE



Scan QR Code using smartphone  
QR Reader App

### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

#### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

#### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore **by 10:00am AEST on Saturday, 29 August 2015.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

💻 **Online** [www.votingonline.com.au/unitygm2015](http://www.votingonline.com.au/unitygm2015)

📠 **By Fax** + 61 2 9290 9655

✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

👤 **In Person** Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Unity Mining Limited

ABN 61 005 674 073

☐

## Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Unity Mining Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the General Meeting of the Company to be held at the offices of **Baker & McKenzie, Level 19, 181 William Street, Melbourne on Monday, 31 August, 2015 at 10am AEST** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		For	Against	Abstain*
Resolution 1	Return of Capital to Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval to Issue Securities under Executive Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Grant of Options to Mr Andrew McIlwain	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SHAREHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2015

If we do not have your bank details recorded or they have changed since the last payment please complete this form and send in the reply paid envelope provided by **Friday 28 August 2015**. If bank details are not provided then payment will be made by cheque to your registered address.

## Request for Direct Crediting of Payments

Please credit all dividend payments from the above holding directly to our account at the following Australian financial institution:

**BSB**
**Account Number**



Name in which account is held

Name of Australian bank or financial institution

Type of account (e.g. cheque, savings)

Name of branch or suburb or town

Contact Name

Phone Number – Business Hours

Phone Number – After Hours

### Sign Here – This section must be signed for your instructions to be executed

I/We authorise you to act in accordance with my/our instructions set out above. I/We acknowledge that these instructions supersede and have priority over all previous instructions relating to payments of dividends to which I/we am/are entitled to be paid in cash and that these instructions do not override any previous Reinvestment Plan instructions unless I/we have so indicated by marking in the relevant box above.

**Individual or Securityholder 1**

**Sole Director and  
Sole Company Secretary**
**Securityholder 2**

**Director**
**Securityholder 3**

**Director/Company Secretary**

Day		Month		Year	

## Glossary of Terms

**BSB:** A 6 digit Bank State Branch code used in Australia (format is xxx-xxx).

## Signing Instructions

**Individual:** This form is to be signed by the Securityholder.  
**Joint Holding:** Where the holding is in more than one name, all the Securityholders must sign.  
**Power of Attorney:** To sign as Power of Attorney, you must have already lodged it with Boardroom Pty Limited.  
Alternatively, attach a certified photocopy of the Power of Attorney to this form.  
**Companies:** In accordance with the company's constitution and *Corporations Act 2001* (Cth)  
(or for New Zealand Companies, the *Companies Act 1993*).

**Please indicate the office held by signing in the appropriate space.**

## Privacy Statement:

The personal information provided in this form is collected by Boardroom Pty Limited, as registrar for the issuer of the securities you hold. Boardroom Pty Limited's privacy policy can be viewed on our website ([www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)).

Your personal information is required for administration of the register of securityholdings. Should some or all of the requested information not be provided correct administration of your securityholding may not be possible. Your personal information may be disclosed to the issuer of the securities you hold, its or our related bodies corporate, external service companies such as print or mail service providers or otherwise as permitted by law. If, in accordance with the provisions of the Corporations Act the issuer of the securities you hold approves, you may be sent marketing material in addition to general corporate communications. You may elect not to receive marketing material by contacting Boardroom Pty Limited.

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## Please return the completed form by post, fax or email to:

**Post:** Boardroom Pty Limited  
GPO Box 3993, Sydney NSW 2001, Australia  
**Fax:** +61 2 9279 0664  
**Email:** [enquiries@boardroomlimited.com.au](mailto:enquiries@boardroomlimited.com.au)

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