



HALF-YEAR FINANCIAL REPORT

Including Appendix 4D

31 DECEMBER 2015

ASX APPENDIX 4D

Results for Announcement to the Market for the Half-year Ended 31 December 2015

	Consolidated half-year ended 31 December 2015 \$'000	Consolidated half-year ended 31 December 2014 \$'000	Percentage increase / (decrease)
Revenue from ordinary activities	20,886	36,344	(42%)
Loss from ordinary activities after tax attributable to members	(9,682)	(9,487)	2%
Loss for the period attributable to members	(9,682)	(9,487)	2%
Net Tangible Assets per ordinary share	\$0.025	\$0.03	(16%)

Explanation of Results

Please refer to the commentary included in the Directors' Report for an explanation of results.

DIRECTORS' REPORT

The Directors of Unity Mining Limited ('Unity' or 'the Company') present the financial report of Unity and its subsidiaries ('the Consolidated Entity') for the half-year ended 31 December 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names of Directors of the Company in office during or since the end of the half-year are:

Current

- **Clive Jones**
- **Frank Terranova** - (Acting Managing Director & CEO)
- **Gary Davison**

Former

- **Andrew McIlwain** - (Former Managing Director & CEO – Resigned 30 September 2015)
- **Ronnie Beevor** – (Resigned 18 November 2015)

Review of Operations

The Consolidated Entity generated a gross profit of \$6.028 million, which after interest, exploration, impairment, corporate and other expenses resulted in a net loss of \$9.682 million for the six months to 31 December 2015. The net loss recorded for the period included an impairment write-down of \$10.893 million in relation to Mine property, plant and equipment assets at Dargues Gold Mine. Prior to these items being recorded the Consolidated Entity recorded a net profit of \$1.711 million for the six months to 31 December 2015.

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

As at 31 December 2015 the Consolidated Entity had A\$18.093 million of available cash (30 June 2015: \$28.461 million). The material reduction in the Consolidated Entity's cash reserves during the period was partly attributable to operating cash outflows of \$3.560 million, driven largely by redundancy costs associated with the closure of the Henty Gold Mine. Additionally, the Consolidated Entity undertook a Capital Reduction during the period which contributed \$5.672 million to the overall reduction in cash reserves.

Henty Gold Mine Operations:

Gold production for the period was 12,502 ounces, down 48% on the 24,202 ounces produced at Henty in the prior corresponding period. Gold sales revenue of \$20.886 million was generated from sales of 13,283 ounces (2014: 26,079) at an average gold price of A\$1545/oz gold (2014: A\$1396/oz). The key highlights at the Henty Gold Mine for the half-year ended 31 December 2015 were:

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

Strategies and Prospects for future financial years

On 07 December 2015, the Company announced that it had executed a Scheme Implementation Agreement ("SIA") with Diversified Minerals Pty Ltd ("Diversified Minerals"), an associate of the PYBAR group. Under the SIA it is proposed that Diversified Minerals will acquire the Henty Gold Mine through the acquisition 100% of the issued shares in Unity Mining Limited.

Upon successful approval from Company shareholders, Diversified Minerals will become the new owner of the Henty Gold Mine in H2 of the 2016 financial year.

DIRECTORS' REPORT

Review of Operations *continued*

Dargues Gold Mine development

On 08 September 2015, following the completion of the public consultation and exhibition period, the Company announced that the Board had unanimously decided to withdraw the application to enable cyanide processing of concentrate at the Dargues Gold Mine project in NSW. The decision was made in light of strong community and stakeholder objection combined with the onerous timeframes relating to the approval process. The Company is proceeding with seeking approval for other relatively minor modifications to the existing mine plan at Dargues, with approval expected by the end of March 2016.

As a consequence of the above change in strategy, the Company announced on 02 December 2015 that a Heads of Agreement ("HOA") had been signed with Westlime Pty Ltd ("Westlime") providing the option to process gold and silver concentrate from the Dargues Gold Mine. Under the terms of the HOA, Westlime have agreed to allow for Unity to process up to 50,000 tonnes of gold/silver concentrate on an annual basis for a minimum period of 5 years.

Strategies and Prospects for future financial years

On 07 December 2015, the Company announced that it had executed a Scheme Implementation Agreement ("SIA") with Diversified Minerals Pty Ltd ("Diversified Minerals"), an associate of the PYBAR group. Under the SIA it is proposed that Diversified Minerals will acquire the Dargues Gold Mine through the acquisition 100% of the issued shares in Unity Mining Limited.

Upon successful approval from Company shareholders, Diversified Minerals will become the new owner of the Dargues Gold Mine in H2 of the 2016 financial year.

Kangaroo Flat Gold Mine

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

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

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

GoldStone Resources Investment (19.2% owned by the Company):

The Consolidated Entity maintained its 19.2% interest in GoldStone Resources Limited during the period and continued to account for the investment as an Available for Sale financial asset following the decision to cease recognising the investment as an associate at December 2014.

Further details in relation to GoldStone can be found on GoldStone's website at www.goldstoneresources.com.

Strategies and Prospects for future financial years

The Consolidated Entity's present strategy in relation to this asset is to retain its investment position going forward.

Return of Capital ("ROC")

On 27 July 2015 Unity announced a proposed ROC to all shareholders on the register as of Friday 04 September 2015.

DIRECTORS' REPORT

The proposed ROC was completed during the period with \$0.005 (0.5 cents) per share, a total of \$5,701,564, being returned to shareholders.

Scheme of Arrangement

On 7 December 2015, Unity and Diversified Minerals Pty Ltd ("Diversified Minerals"), an associate of the PYBAR Group, executed a Scheme Implementation Agreement ("SIA") to effect the acquisition of 100% of the issued shares of Unity by Diversified Minerals under a Scheme of Arrangement in conjunction with a contemporaneous capital return to Unity shareholders (the "Transaction").

Diversified Minerals is currently the largest holder of Unity shares (13.69%) and Diversified Minerals has offered to acquire all of the Unity shares on issue not already owned by Diversified Minerals under the Transaction.

Total consideration to be received by Unity shareholders will be 2.9 cents per share comprising 1.0 cent per share to be received through an equal capital reduction and 1.9 cents per share to be received as scheme consideration from Diversified Minerals ("Total Consideration").

The Total Consideration represents a 45% premium to the last closing price on 4 December 2015 and a 128% premium to the 12 month volume weighted average price, and implies an equity value for Unity of approximately A\$33.2 million.

Execution of the SIA and announcement of the Transaction follows a detailed strategic review which has been undertaken by the Company to explore all options to maximise shareholder value.

The Unity Board unanimously recommends that all Unity shareholders vote in favour of the Transaction, in the absence of a superior proposal, and subject to an Independent Expert concluding that the Transaction is in the best interests of shareholders.

Auditor's Independence Declaration

The auditor has provided the Board of Directors with a signed Independence Declaration in accordance with s.307C of the Corporations Act 2001. This declaration is included on page 6 of this half-year report.

Rounding off of Amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Frank Terranova
Acting Managing Director & CEO

10 February 2016
Melbourne

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Auditor's Independence Declaration To The Directors of Unity Mining Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Unity Mining Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 10 February 2016

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UNITY MINING LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
Sales revenue		20,886	36,344
<u>Cost of sales</u>			
Costs of mining, processing and site administration		(14,348)	(26,107)
Depreciation and amortisation		(510)	(2,378)
Total Cost of Sales		(14,858)	(28,485)
Gross (Loss)/Profit		6,028	7,859
Interest and other income		358	311
Exploration expenses		(808)	(1,335)
Corporate expenses		(4,279)	(3,199)
Finance costs		-	(10)
Share of loss of associate		-	(118)
Employee redundancy costs		251	(6,692)
Impairment expense – mine property, plant & equipment	5	(10,893)	-
Impairment expense – Financial assets	5	(234)	(785)
Profit/(Loss) on sale of assets		50	(20)
Loss before tax		(9,527)	(3,989)
Income tax expense		-	-
Loss for the period from continuing operations		(9,527)	(3,989)
Discontinued Operations			
Loss for the period from discontinued operations	4	(155)	(5,498)
LOSS AFTER TAX		(9,682)	(9,487)
Other comprehensive income		(78)	-
Total comprehensive income for the period		(9,760)	(9,487)

Notes to the financial statements are included on pages 12 to 20.

UNITY MINING LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
Earnings Per Share			
From Continuing and Discontinued Operations:			
Basic and diluted earnings per share – (cents per share)		(0.008)	(0.8)
From Continuing Operations:			
Basic and diluted earnings per share – (cents per share)		(0.008)	(0.4)

UNITY MINING LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 December 2015 \$'000	30 June 2015 \$'000
CURRENT ASSETS			
Cash		18,093	28,461
Receivables		471	3,340
Inventories		-	2,789
Prepayments		213	356
Other financial assets	6	6,034	6,306
		<u>24,811</u>	<u>41,342</u>
Assets classified as held for sale	4	-	-
TOTAL CURRENT ASSETS		<u>24,811</u>	<u>41,342</u>
NON CURRENT ASSETS			
Other financial assets	6	3,966	3,966
Mine property, plant and equipment		12,431	23,471
TOTAL NON CURRENT ASSETS		<u>16,397</u>	<u>27,437</u>
TOTAL ASSETS		<u>41,208</u>	<u>68,779</u>
CURRENT LIABILITIES			
Payables		3,492	7,988
Interest bearing liabilities		28	50
Provisions	9	566	8,386
		<u>4,086</u>	<u>16,424</u>
Liabilities directly associated with assets classified as held for sale	4	5,710	5,710
TOTAL CURRENT LIABILITIES		<u>9,796</u>	<u>22,134</u>
NON CURRENT LIABILITIES			
Interest bearing liabilities		14	27
Provisions	9	3,393	3,381
TOTAL NON CURRENT LIABILITIES		<u>3,407</u>	<u>3,408</u>
TOTAL LIABILITIES		<u>13,203</u>	<u>25,542</u>
NET ASSETS		<u>28,005</u>	<u>43,237</u>
EQUITY			
Issued Capital		450,450	456,074
Reserves		2,360	2,286
Accumulated losses		(424,805)	(415,123)
TOTAL EQUITY		<u>28,005</u>	<u>43,237</u>

Notes to the financial statements are included on pages 12 to 20.

UNITY MINING LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Half-year ended 31 December 2015 \$'000	Half-year ended 31 December 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	27,913	39,431
Interest and other revenue received	614	295
Interest paid	-	(10)
Payments to suppliers and employees	(32,087)	(34,509)
Net cash provided by operating activities	(3,560)	5,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for mine property, plant and equipment and exploration and evaluation	(1,143)	(1,568)
(Payments)/Proceeds from investments	(40)	1,941
Proceeds from disposal of mine property, plant and equipment	82	75
Net cash provided by/(used in) investing activities	(1,101)	448
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(35)	(152)
Payment for Share-buy-back	(5,672)	-
Net cash used in financing activities	(5,707)	(152)
Net increase/(decrease) in cash held	(10,368)	5,503
Cash at the beginning of the period	28,461	6,783
CASH AT THE END OF THE PERIOD	18,093	12,286

Notes to the financial statements are included on page 12 to 20.

UNITY MINING LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Half-year ended 31 December 2015				
	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 01 July 2015	456,074	2,286	(415,123)	43,237
Loss for the period	-	-	(9,682)	(9,682)
Other comprehensive income	-	(78)	-	(78)
Total comprehensive income for the period	-	(78)	(9,682)	(9,760)
Transfer from equity-settled employee benefit reserve	48	(48)	-	-
Recognition of share-based payments	-	200	-	200
Buy Back of Shares	(5,672)	-	-	(5,672)
Balance at 31 December 2015	450,450	2,360	(424,805)	28,005

Half-year ended 31 December 2014				
	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 01 July 2014	456,031	1,928	(414,558)	43,401
Loss for the period	-	-	(9,487)	(9,487)
Total comprehensive income for the period	-	-	(9,487)	(9,487)
Transfer from equity-settled employee benefit reserve	43	(43)	-	-
Recognition of share-based payments	-	285	-	285
Balance at 31 December 2014	456,074	2,170	(424,045)	34,199

Notes to the financial statements are included on page 12 to 20.

UNITY MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. GENERAL INFORMATION

Unity Mining Limited ('Unity' or 'the Company') is a limited company incorporated in Australia. The principal activities of the Company, its subsidiaries Henty Gold Limited, Bendigo Mining Pty Ltd, Big Island Mining Pty Ltd, Dargues Gold Mine Pty Ltd and Wombola Gold Pty Ltd are described in the Directors' Report.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report, prepared in accordance with the *Corporations Act 2001* and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual report and should be read in conjunction with the 2015 Annual Report and any public announcements made by Unity during the half-year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1988, and in accordance with that Class Order amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half year.

The adoption of new and revised standards did not have any material impact on the disclosures of the amounts recognized in the Company's condensed consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Derivative financial instruments

The Consolidated Entity may enter into a variety of derivative financial instruments to manage its exposure to Commodity prices.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The

UNITY MINING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

SIGNIFICANT ACCOUNTING POLICIES (Continued)

resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity's reportable segments under AASB 8 are:

- Henty Gold Mine, Tasmania;
- Dargues Gold Mine, NSW;
- Corporate/Other

The accounting policies of the reportable segments are the same as the Consolidated Entity's accounting policies.

The following is an analysis of the Consolidated Entity's revenue and results by reportable segment for the half-years under review:

	Revenue		Segment profit/(loss)	
	Half-year ended		Half-year ended	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	\$'000	\$'000	\$'000	\$'000
Continuing Operations				
Henty Gold Mine	20,886	36,344	5,013	(75)
Dargues Gold Mine	-	-	(13,155)	(505)
Corporate/Other	-	-	(1,742)	(3,551)
	20,886	36,344	(9,884)	(4,131)
Investment Revenue and Other income	-	-	358	270
Finance costs	-	-	-	(10)
Share of loss of associates	-	-	-	(118)
	-	-	(9,526)	(3,989)
Discontinued operations				
Corporate/Other	256	240	(156)	(5,498)
Profit/(loss) before tax	256	240	(9,682)	(9,487)
Income tax expense (continuing and discontinued operations)	-	-	-	-
Consolidated segment revenue and profit for the period	21,142	36,584	(9,682)	(9,487)

UNITY MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. SEGMENT INFORMATION (Continued)

The revenue reported above represents revenue generated from external gold sales. There were no intersegment sales during the half year (2014: Nil).

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of share of profit/(loss) of associates, investment and other revenue, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Consolidated Entity's assets by reportable operating segment.

	31 Dec 2015 \$'000	30 June 2015 \$'000
Continuing operations		
Henty Gold Mine	2,422	10,500
Dargues Gold Mine	11,092	23,207
Corporate/Other	27,694	35,072
	<u>41,208</u>	<u>68,779</u>
Unallocated assets	-	-
Total assets	<u>41,208</u>	<u>68,779</u>

4. DISCONTINUED OPERATIONS

The Consolidated Entity's Kangaroo Flat mine site was placed in care and maintenance in FY12 and as a result it has been determined that the associated assets and liabilities will be realised through sale as opposed to continued operations. It should be noted that the sales process described below is independent of the offer that PYBAR has made to acquire 100% of the shares in Unity.

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

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

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

Accordingly, the result of the Kangaroo Flat mine site has been disclosed in discontinued operations for the half year ended 31 December 2015 and the comparative period, and the assets and liabilities associated with the site have been disclosed as held for sale.

The loss for the half year from the discontinued operation is analysed as follows:

UNITY MINING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

4. DISCONTINUED OPERATIONS (Continued)

	Half-year ended	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Other revenue	256	240
Operating expenses	(411)	(518)
Impairment expense	-	(5,220)
Loss before income tax	(155)	(5,498)
Income tax expense/(credit)	-	-
Loss after income tax	(155)	(5,498)

The net deficiency of Kangaroo Flat at reporting date was as follows:

	31 Dec 2015 \$'000	30 June 2015 \$'000
Assets classified as held for sale	5,220	5,220
Impairment Write-Down	(5,220)	(5,220)
	-	-
Liabilities directly associated with assets classified as held for sale	5,710	5,710
Net Deficiency	(5,710)	(5,710)

5. IMPAIRMENT EXPENSE

	Six month period ended 31 December 2015 \$'000	Six month period ended 31 December 2014 \$'000
Impairment Expense – Available for Sale Financial Assets	234	785
Impairment Expense – Mine property, plant & equipment	10,893	-
	11,127	785

UNITY MINING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5. IMPAIRMENT EXPENSE (Continued)

Impairment – Shares in GoldStone Resources

The Company recorded an impairment expense of \$0.234 million against the carrying value of its investment in Goldstone Resources Limited ("GRL") during the period.

This was recorded after determining the fair value of the investment based on the underlying market price of GRL shares at 31 December 2015.

Impairment – Mine property, plant & equipment

During the half-year, the Company carried out a review of the recoverable amount of its mine property, plant and equipment relating to two of the Company's identifiable cash generating units ('CGU'), Henty Gold Mine and Dargues Gold Mine.

In assessing whether an impairment adjustment is required for the carrying value of an asset, its carrying value is compared with its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less cost of disposal and value in use. The Company has used a fair value less cost of disposal approach.

Dargues Gold Mine

The Company determined the fair value less cost of disposal of the Dargues Gold Mine CGU having regard to the key outcomes of the Strategic Review of the Company and its underlying assets as announced to ASX during October 2015. Accordingly, an impairment expense of \$10.893 million has been recorded through the profit and loss.

Henty Gold Mine

The Company determined the fair value less cost of disposal of the Henty Gold Mine CGU based on the key outcomes of the strategic review of the asset undertaken by the Company as announced to ASX in October 2015. It has been determined that the recoverable amount of the Henty Gold Mine CGU is above its recorded carrying value and accordingly no impairment write down is required at balance date.

	31 December 2015 \$'000	30 June 2015 \$'000
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6. OTHER FINANCIAL ASSETS

Financial assets

Available-for-sale financial assets

Listed Shares	336	648
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Held-to-Maturity investments

Term Deposits (current)	5,698	5,658
Term Deposits (non-current)	3,966	3,966

UNITY MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

This note provides information about how the Consolidated Entity determines fair values of various financial assets and financial liabilities.

7.1 Fair value of the Consolidated Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Consolidated Entity's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / Financial liabilities	Fair Value as at		Fair Value Hierarchy	Valuation technique(s) and key input(s)
	31/12/2015	30/06/2015		
1) Available for sale Financial asset	336,156	648,480	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and Level 2 in the period.

7.2 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

8. PROVISIONS

	31 December 2015 \$'000	30 June 2015 \$'000
Current:		
Employee benefits – Annual leave	239	1,477
Employee benefits – Long service leave	327	1,770
Employee benefits - Redundancy	-	5,139
	<u>566</u>	<u>8,386</u>
Non-current:		
Employee benefits – long service leave	68	73
Rehabilitation provision	3,325	3,308
	<u>3,393</u>	<u>3,381</u>
	<u>3,958</u>	<u>11,767</u>

During the six months ended 31 December 2014 the Consolidated Entity recorded a redundancy provision of \$5.139 million associated with the planned transition of the Henty Gold Mine on to care and maintenance in December 2015. This transition occurred as planned and all redundancies were paid out in the period ended 31 December 2015.

UNITY MINING LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

9. SCHEME OF ARRANGEMENT

Overview

On 7 December 2015, Unity and Diversified Minerals Pty Ltd ("Diversified Minerals"), an associate of the PYBAR Group, executed a Scheme Implementation Agreement ("SIA") to effect the acquisition of 100% of the issued shares of Unity by Diversified Minerals under a Scheme of Arrangement in conjunction with a contemporaneous capital return to Unity shareholders (the "Transaction").

Diversified Minerals is currently the largest holder of Unity shares (13.69%) and Diversified Minerals has offered to acquire all of the Unity shares on issue not already owned by Diversified Minerals under the Transaction.

Total consideration to be received by Unity shareholders will be 2.9 cents per share comprising 1.0 cents per share to be received through an equal capital reduction and 1.9 cents per share to be received as scheme consideration from Diversified Minerals ("Total Consideration").

The Total Consideration represents a 45% premium to the last close on 4 December 2015 and a 128% premium to the 12 month volume weighted average price, and implies an equity value for Unity of approximately A\$33.2 million.

Execution of the SIA and announcement of the Transaction follows a detailed strategic review which has been undertaken by the Company to explore all options to maximise shareholder value.

The Unity Board unanimously recommends that all Unity shareholders vote in favour of the Transaction, in the absence of a superior proposal, and subject to an Independent Expert concluding that the Transaction is in the best interests of shareholders.

Under the Transaction, Unity shareholders will receive:

- a) cents per share by way of an equal capital reduction to be approved by a majority of votes cast by Unity shareholders at a special general meeting (the "Capital Return"); and
- b) 1.9 cents per share as scheme consideration from Diversified Minerals to be approved at a meeting of Unity shareholders to be convened by a court in accordance with Chapter 5 of the Corporations Act and requiring approval from both 75% or more of the votes cast and 50% or more of the Unity shareholders present in person or by proxy at the meeting (the "Scheme of Arrangement").

The Capital Return and Scheme of Arrangement will be inter-conditional and it is anticipated that the shareholder meetings will be held on the same day.

A ruling from the Australian Taxation Office is currently being obtained in respect of the Capital Return and Unity expects that all of the Capital Return will be treated as capital in the hands of Unity shareholders.

The Transaction is subject to limited conditions, including:

- Unity shareholder approvals as described above, noting that Diversified Minerals and its related entities will be excluded from voting on the Scheme of Arrangement;
- An Independent Expert concluding that the Transaction is in the best interests of Unity shareholders;
- Unity having sufficient net cash to implement the Capital Return; and

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9. SCHEME OF ARRANGEMENT (Continued)

- Other customary conditions for transactions of this nature.

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

Timetable

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

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

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

Documentation

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

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

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

Contingent Fees

If there is a change of control of Unity, whereby a party acquires more than 50% of the ordinary shares of Unity, then Grant Samuel will be entitled to a transaction fee comprising:

- a base fee of \$500,000; plus
- an incentive fee of 5% of the amount (if any) by which the Final Offer Price exceeds 2.0 cents per share multiplied by the total number of fully diluted shares of Unity

What Will Happen In The Event That Shareholders Do Not Vote In Favour Of The Transaction

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

- Despite Unity amending its development approach on the Dargues Gold Project, both the capacity to fund development of the Dargues Gold Project in a manner that is in the best interests of Unity Shareholders and the absolute time frames to conclude all regulatory processes remain uncertain;

UNITY MINING LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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9. SCHEME OF ARRANGEMENT (Continued)

- with revenue no longer being generated at Henty Unity's cash position will decrease moving forward;
- future potential capital requirements for exploration and development over the next 2 years at both Henty and Dargues exceed Unity's current cash balance; and
- capital, economic and commodity markets remain challenging for the junior resource sector, particularly for those without cash flow. The terms of procuring further development capital or working capital would likely result in substantial shareholder dilution for existing Unity Shareholders.

If the Transaction does not proceed, Unity Shareholders will not receive the Total Consideration as outlined above and Unity Shareholders will continue to be exposed to the above risks as well as other business and general market risks.

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

10. DIVIDENDS

In respect of the half year ended 31 December 2015, no dividend has been paid or declared. (2014: Nil).

On 09 September 2015, a return of capital ("ROC") of \$0.005 per share was paid to shareholders.

11. CONTINGENT LIABILITIES

Other than as disclosed in Note 9 – Nil. (2014: Nil)

12. SUBSEQUENT EVENTS

Completion of 30% Joint Venture Earn In

On 21 January 2016 the Company announced that Diversified Minerals Pty Ltd, (a wholly-owned subsidiary of PYBAR Group), advised that they had completed Stage 2 of the Drilling program at the Henty Gold Mine, achieving the milestone spend of \$2.5 million to date. Accordingly, PYBAR Group have advised the Company that they have formally elected to earn their initial 30% interest effective immediately and proceed to Stage 3 of the Drilling program at Henty. Once the remaining \$2.5 million is spent in order to achieve completion of Stage 3, PYBAR will then earn an additional 20% interest in the Henty Gold Mine project (for a total of a 50% interest overall).

No other matters or circumstances have arisen subsequent to the reporting date which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

UNITY MINING LIMITED
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The Directors declare that:

- 1) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- 2) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity.

Signed in accordance with a resolution of Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Frank Terranova
Acting Managing Director & CEO

10 February 2016
Melbourne

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Independent Auditor's Review Report To the Board of Directors of Unity Mining Limited

We have reviewed the accompanying half-year financial report of Unity Mining Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Unity Mining Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Unity Mining Limited consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Unity Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Unity Mining Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B. A. Mackenzie
Partner - Audit & Assurance

Melbourne, 10 February 2016

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