





Question:

What is the status of the proposed transaction involving the acquisition of the Company by Diversified Minerals, an associate of the PYBAR group, and the contemporaneous capital return?

Answer:

On 7 December 2015, Unity announced that the Company had entered into an Agreement with Diversified Minerals Pty Ltd, an associate of the PYBAR Group, to acquire through a subsidiary 100% of the issues shares of Unity that it does not already hold or control through a Scheme of Arrangement in conjunction with a contemporaneous capital return.

On 19 February 2016, the Supreme Court of Victoria convened the meeting for the Scheme of Arrangement and approved release of the Explanatory Booklet which includes a detailed independent expert report confirming that the proposed transaction is in the best interests of shareholders.

The shareholder meetings are to be conducted on Thursday 31 March 2016 and I look forward to shareholders supporting the proposed transaction.



Question:

Should shareholders vote in favour of the proposed transaction?

Answer:

The directors of Unity Mining are of the view that the proposed Scheme of Arrangement with Diversified Minerals and the contemporaneous capital return are in the best interests of shareholders.

The proposed transaction will see shareholders receive total cash payments of 2.9 cents per share, which is a significant premium to the price at which shares in Unity Mining had traded in the period leading up to the announcement of the proposed transaction. The total cash payments of 2.9¢ per share represents a premium of 45% over the last trading price of 2.0¢ immediately prior to the announcement of the transaction and a 51% premium to the 1.92¢ average price at which Unity Mining shares traded over the three months preceding the announcement. Over a longer period, the proposed total cash payments of 2.9¢ cash per share represents a 128% premium to the 1.27¢ average price at which Unity Mining shares had traded over the twelve months preceding the announcement (adjusted for the 0.5¢ capital return that took place in September 2015).

It is reasonable to expect that Unity Mining shares would trade at prices materially lower than current market prices in the absence of the proposed transaction. In addition, the Company would require a significant amount of additional cash to fund the development of the Dargues Gold Mine and other exploration activities. The potential dilution from any capital raising would likely result in substantial shareholder dilution and place downward pressure on the Unity Mining share price.



Question:

What has the Independent Expert concluded regarding the proposed transaction?

Answer:

The independent expert who reviewed the proposed transaction, <u>Sumner Hall, concluded that it is fair and reasonable and, therefore, in the best interests of Unity Mining shareholders, in the absence of a superior proposal.</u>

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

I encourage shareholders to read the Explanatory Booklet including the Independent Expert Report as it provides important context for the proposed transaction and the recommendation of the Board.



Question:

You have been Acting Managing Director since September 2015. What have your priorities been to date?

Answer:

I was appointed to the Unity Board in May 2015 and was asked to become the Acting Managing Director on 8 September 2015.

A great deal has been achieved in the past 9 months, and the absolute focus of myself and the Board during that time has been to generate share price growth for shareholders in Unity Mining and to that end, we have undertaken a reality check on the Company's position. It became evident to the Unity Board that Unity Mining had to make some hard decisions and execute a number of the initiatives it had been exploring in a timely manner.

I am pleased that as of today, with Unity shares trading up to the 2.9 cents to be received by Unity shareholders under the proposed transaction, shareholders have seen an uplift in the value of their shares of around 120% over 9 months (allowing for the capital return of 0.5 cents per share undertaken in September 2015). This has been due to a lot of hard work by the Unity Board and Management to ensure that the underlying value of the Company could be properly recognised.

⁽¹⁾ Based on Unity Share prices adjusted for the 0.5 cent per Unity Share capital return in September 2015



Question:

A lot has happened over the past months since your appointment. Can you explain the background to the proposed transaction?

Answer:

In September 2015 we undertook a number of initiatives including returning 0.5 cents per share to shareholders by way of a capital return and entering into an agreement with GBM Gold Limited for the sale of the Bendigo Plant and Assets.

This meant that by the end of September 2015, Unity's key assets comprised:

- The Bendigo Plant and Assets which were under contract of sale to GBM;
- Our interests in the Henty Gold Mine in Tasmania which was being placed into care and maintenance with gold production to cease in December 2015. In April 2015, the Company had entered into an exploration joint venture with Diversified Minerals whereby Diversified Minerals was able to earn up to a 50% interest in the Henty project through undertaking exploration activities. As of today, Henty is an exploration joint venture and is not producing any gold;
- The Dargues Reef Gold Project in New South Wales. Unity had faced substantial community opposition to
 this project during 2015 and in September 2015 the decision had been taken to withdraw the application to
 undertake cyanide processing at the site. This required the Company to revisit other processing solutions and
 increased the uncertainties around the project, which had already deviated from its previous timelines; and
- A cash balance including gold in transit of around A\$23 million, as at 30 September 2015, but which the Board expected to diminish in the future due to the cessation of mining and associated closure costs at the Henty mine.



Answer (continued):

or personal

Around this time, the Company was receiving opportunistic approaches from parties expressing interest in various asset transactions and other strategic initiatives (many of whom were primarily interested in accessing the cash reserves held by the Company).

So when I was appointed as acting Managing Director in September 2015, the Company was facing some significant challenges, and, in the period since then, we have made great progress in identifying a pathway to confront those challenges in a timely manner and to ensure appropriate recognition of underlying value for shareholders.



Question:

The Company announced a strategic review in October 2015. What did the Strategic Review involve?

Answer:

The purpose of the Strategic Review was to understand the Company's real position at the time, to review the various options available to it, and to determine the route forward that would provide the best outcome for shareholders. The Strategic Review also enabled an informed assessment of the market value of Unity's assets to be made.

The Strategic Review included consideration of various options to maximize shareholder value, including Unity Mining continuing as a stand-alone entity. Unity's Management and its advisers actively progressed discussions with a number of parties on a range of potential transactions, including potential change of control proposals and asset level initiatives. This included the proposal from Diversified Minerals, an associate of the PYBAR Group, to acquire Unity in a transaction which will deliver to shareholders total cash payments of 2.9 cents per share.

During the strategic review, all options were exclusively considered from the perspective of our shareholders. That consideration included assessments of the impact of any equity dilution that would likely accrue to shareholders in any future financing scenario for the Dargues Reef Project.

Having considered the available alternatives, the Board concluded that the proposed transaction was superior to all other alternatives and is likely to deliver the highest value and greatest certainty when compared to other current alternatives.



Question:

The proposed transaction has been recommended by the Board. Was Diversified Minerals or PYBAR given any special treatment?

Answer:

No, Diversified Minerals / PYBAR did not receive any preferential treatment. The undertaking of the strategic review was publicly known and all counterparties who participated in the strategic review had equal access to company information and management.

Given the Diversified Minerals proposal was all cash it was a straightforward proposal for the board to assess.

It is fair to say that because of the due diligence work Diversified Minerals had done in formulating the Henty JV with Unity, it had a good understanding of the Company, but other parties were given ample opportunity through the strategic review process to make informed assessments on Unity's assets.



Question:

The Independent Expert Report (IER) shows a large range in the value of Dargues Gold Project. Do you have a view on this?

Answer:

Dargues is a gold mining project which continues to have good underlying potential.

The IER valued the Dargues project at between \$8 million and \$20 million. That is a large range and as set out in the IER this is fundamentally because of uncertainties surrounding the development both in terms of its configuration and timing. As acknowledged in the IER, there are significant risks with the project, including risks related to funding, permitting and community opposition.

The Board amended the development approach on this project in September 2015 to cease its application for onsite cyanide processing. This required the Company to revisit other processing solutions and increased the uncertainties around the project, which had already deviated from its previous timelines.

The Board considers that the proposed transaction recognises the value of the Dargues Project. In view of the uncertainties mentioned, shareholders should think carefully before rejecting an opportunity to realise cash for their shares through the proposed transaction.



Question:

There are a number of smaller shareholders who paid substantially more for their shares than the current offer price, how does this sit with you?

Answer:

It is always disappointing when shareholders experience this situation. By their very nature, investments in publicly listed companies, and particularly junior resource companies, involve significant risks and unfortunately this can manifest on the downside as well as the upside.

The question a Board needs to ask itself what is in the best interest of shareholders in the present, taking all things into account. Whether someone paid \$1 years ago or \$0.01 months ago does not directly affect near term decision-making. Equally, the fact that an asset may have been worth more in the past than it is today, or that the company spent considerable money on an asset, cannot impact a decision regarding the best way forward for the company.

The profile of Unity has changed from a gold producer to one where it has an exploration joint venture and a potential development project, each requiring capital. This has taken place over a period where the market has been fully informed and shareholders could assess the risks and opportunities for themselves.



Answer (continued):

or personal

The question the Directors have sought to address is whether shareholders would be better off by accepting the proposed offer, or by rejecting it in the expectation that they may be able to achieve better returns in the future.

The Board reiterates its position that, subject to no superior proposal being received, it recommends the current offer, and remains firmly of the view that if the offer is rejected, the share price will most likely fall materially, and the outlook for the Company will remain challenging.

The risks associated with not supporting the transaction are clearly spelled out in the Scheme booklet.



Question:

The past few weeks has seen sentiment become more positive in the gold sector. Has this impacted the directors' assessment of the proposed transaction?

Answer:

No, recent market movements have had no impact on the directors' assessment of the proposed transaction. While we have seen some short term improvement in sentiment in the gold sector, funding conditions remain challenging and access to development capital remains constrained and there can be no certainty as to where the gold price will trade over the coming weeks and months.

Given that Unity has ceased gold production, movements in the short term price of gold have no impact whatsoever on the financial position of the Company and what is more relevant are longer term expectations for the price of gold which are inherently less volatile.

Further, a primary asset of Unity remains its current cash balance, the value of which is fixed.

The Board continues to unanimously recommend the proposed transaction and considers it remains in the best interests of shareholders.



Question:

Also over the past few weeks a lot of shares have been traded in Unity.

What does this mean for the current proposal?

Answer:

There has been significant turnover in Unity shares in recent weeks. This commonly occurs in respect of a company which is subject to a change of control proposal due to related trading activity by arbitrage funds and other financial investors.

The Board has not received any alternative proposals to the proposed transaction since its announcement and the Directors continue to consider it unlikely that a Superior Proposal will emerge.



Question:

In the unlikely event that the Scheme is not implemented what will Unity do?

Answer:

It is the Board's expectation that, should the Scheme not be approved, the transaction will not proceed and:

- the Unity share price will be likely to fall materially below current price levels and the amount of 2.9 cents per Unity share; and
- based on past historic evidence, Unity Shares may trade at a substantial discount to its underlying asset value over time reflecting Unity's diminishing cash position and the need to raise additional capital in order to fund the development of its assets.

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.



