

28 August 2013

ASX Release

Unity Mining Limited
ABN 61 005 674 073

Corporate Details:

ASX Code: UML

Issued capital:

702M ord. shares

9M unlisted Perf. Rights

Substantial Shareholders:

LionGold Corp 92.6M (13.2%)

Directors:

Non-Executive Chairman:

Clive Jones

Managing Director:

Andrew McIlwain

Non-Executive Directors:

Ronnie Beevor

David Ransom

Contact Details:

Unity Mining Limited

Level 10

350 Collins St

Melbourne

Victoria 3000

Australia

Tel: +61 (0)3 8622 2300

Fax: +61 (0)3 8622 2399

Email:

info@unitymining.com.au

Website:

www.unitymining.com.au

FY13 Results Commentary

Henty Gold Mine - Operational Performance

- EBITDA of \$6.1 million
- Revenue down 20% to \$64.7 million due to lower production and reduced gold price
- Gold production down 12% to 43,851 oz, largely due to focus on accelerating development to the high grade Read Zone
- Average realised gold price down 9%
- Exploration expenditure of \$8.9 million
- FY14 Guidance: Full year production of 40-50,000 oz gold

Dargues Gold Mine - Project Performance

- Acquired January 2013 through the merger with Cortona Resources
- \$3.1 million transferred for environmental bonds
- Site access works commenced February, now nearing completion
- Mining of portal and decline scheduled to begin by late September
- Gold production targeted for first half of FY15

Unity Mining Limited - Corporate Performance

- Gross profit of \$3.9 million and a net loss of \$26.4 million after non-cash impairment write-downs, exploration, corporate and other expenses
- Cash at Bank: \$27.7 million as at 30 June 2013, plus \$11.2 million in environmental bonds

Andrew McIlwain, Managing Director & CEO commented "Following changes to the mine plan, designed to accelerated development rates towards the high grade Read Zone, Henty delivered a full year production result within the revised guidance range. Importantly, the Read Zone remains open to further exploration along strike to the south, and is positioned to be a significant contributor of high grade ore going forward.

"The group generated positive cashflow of \$8.5 million for the year, during which time we also invested \$24 million back into the business. However, like many in our industry, our headline results were impacted by the sharp decline in the realised gold price in second half. The impairment write-downs of \$14.5 million recorded at Henty Gold Mine and Dargues Gold Mine during the year were largely the result of the adoption of a gold price at 30 June of \$1336/oz and the forecast associated impact of that gold price on future cash flows generated by these assets.

"In the coming year, our objectives are firstly to select the preferred funding model for the Dargues Gold Mine and complete the project development safely and on budget, and secondly, to continue to optimise the production results at Henty through a comprehensive operational review designed to underpin and grow operating margins.

"We are striving to maximise cash generation from the business whilst undertaking the development of Dargues. Everyone is contributing to this with no annual salary reviews or payments under the Short Term Incentive plan this year, as well as a 15% reduction in Director's fees. Additionally, the recent appointment of our Chief Operating Officer now gives us the capacity to further drive improvement programs across the business" said Mr McIlwain.

Review of Result

Net cashflow from operating activities was \$8.5 million during the year with \$8.9 million invested in exploration and \$7.7 million in mine development. Other cash outflows in the year included \$3.1 million transferred to bonds in relation to Dargues Gold Mine, \$0.1 million buyback of ordinary shares, and \$1.0 million repayment of lease liabilities. The Company's closing cash position at 30 June 2012 was \$27.7 million.

The Company generated a gross profit of \$3.9 million, which after non-cash impairment write-downs of \$19.3 million, exploration, corporate and other expenses resulted in a net loss of \$26.4 million for the FY13 financial year.

The \$16.0 million decrease in revenue relative to the prior period was a result of the lower average gold price for the year and a fall in tonnes processed resulting from the decision to develop Read Zone sooner than planned. The increase in exploration expense was due to an increased rate of exploration expenditure being written off at the Henty Gold Mine.

Henty Gold Mine

Gold production of 43,851 ounces was down 12% compared to the FY12 financial year. The decreased gold production was the result of lower head grades in the September quarter and a reduction in tonnes mined and processed throughout the year. The average head grade was 5.3 g/t gold compared to 5.6 g/t gold in the previous year and the tonnes processed were 278,105 compared to 297,014. As a result of the lower production, cash operating costs increased from A\$982/oz to A\$1114/oz.

In FY13, key mine activities at the Henty Gold Mine included underground development of 4541 metres, ore mining of 276,626 tonnes and exploration drilling of 35,185 metres. Exploration expenditure in FY13 was \$8.9 million. At Henty, continuing successful exploration at the Read Zone delineated a maiden Ore Reserve of 30,000 oz at 11.5 g/t gold. Read Zone remains open to the south, and will be subject to further drill testing from the newly constructed southern exploration drive. Importantly, this drive, which now reaches further south than has ever been mined at Henty, will also be used to test for extension to Darwin South. Surface drilling at Henty continued throughout FY13, to test extensions of the mineralisation along the Henty Fault in the Henty Dam area and up-dip of the mine workings and also at the Moxon, Firetower, Red Hills and Lakeside prospects. At year end, three drill rigs were actively engaged in the Henty exploration program with a planned budget of \$7.0 million for FY14.

Merger with Cortona Resources

On 28 September 2012, Unity announced its intention to merge with ASX-listed Cortona Resources, owner of the development-ready Dargues Gold Mine in New South Wales. Following the successful conclusion of the merger in early January 2013, Mr Clive Jones joined the Board as Chairman, replacing Mr Peter McCarthy. Mr Peter van den Borgh also joined the board as Executive Director. Mr van den Borgh subsequently resigned as a director on 12 April 2013.

Dargues Gold Mine

On 11 February 2013, pre-construction earthworks commenced at the Dargues Gold Mine, with contracts awarded for the construction of three discrete and staged work programs: 1) a 3.2 km long site access road, 2) Underground Mine Boxcut & ROM Pad, and 3) a Tailing Storage Facility (TSF). At the end of July 2013, the access road was 70% complete, the boxcut was 80% complete, with the TSF construction yet to commence.

Kangaroo Flat Mine

There was no gold production from the Kangaroo Flat Mine in the FY13 financial year as the mine remained on care and maintenance throughout the period.

In October 2012 Unity Mining and Catalyst Metals announced they had agreed to terminate the Option Agreement for Catalyst to acquire the Kangaroo Flat gold processing plant, associated infrastructure and mining tenements of Unity located near Bendigo in Victoria. This provided an opportunity for Unity to consider the use of components of the Kangaroo Flat gold processing plant for the development of the Dargues Gold Mine in NSW.

In parallel, Unity has been seeking expressions of interest for the sale of all its Bendigo assets, with the intention of only selling these assets if it realised benefits in excess of those achieved by relocating the equipment to Dargues. Applying the proceeds from a sale of the Bendigo assets to the Dargues development would provide a significantly more favourable outcome for shareholders than the debt alternatives more typical with project funding. Unity is currently assessing the options to realise maximum value for the Bendigo assets, which has delayed the Company from committing to a debt funding package for the Dargues Project.

GoldStone Resources Investment

Unity's ownership of GoldStone Resources remains at 34%. In November 2012, GoldStone Resources announced an increase in resources at Homase, Ghana to 602,000 ounces. In April 2013, GoldStone announced it had entered into a joint venture with Randgold over the Sangola project in Senegal. Exploration by Randgold continues to advance the Sangola project. Encouraging drill results were also reported from inaugural drilling programs at the Oyem and Ngoutou projects in Gabon.

Other key matters of note in the Consolidated Entity's Financial Statements at balance date included the following:

- The Consolidated Entity reported a strong cash position of \$27.7 million;
- Cashflow received from operations for the year was \$8.5 million, with \$24.0 million invested back into the business;
- An Impairment write-down of \$4.8 million was recorded in relation to the Consolidated Entity's investment in GoldStone Resources Limited; and
- Impairment write-downs of \$7.4 million and \$7.1 million were recorded in relation to mine property, plant and equipment assets at the Henty Gold Mine and Dargues Gold Mine respectively.

The impairment write-downs of \$14.5 million recorded at Henty Gold Mine and Dargues Gold Mine during the year were largely the result of the adoption of a gold price at 30 June of \$1336/oz and the forecast associated impact of that gold price on future cash flows generated by these assets.

Full details of the results for the financial year ended 30 June 2013 are set out in the Appendix 4E and Financial Report.