



UNITY
Mining Limited



ABN 54 118 912 495

ASX Announcement

22 December 2011

Catalyst Metals and Unity Mining: Option Agreement to acquire Bendigo plant and assets

- **Memorandum of Understanding signed between Catalyst Metals Limited and Unity Mining Limited to acquire the Kangaroo Flat gold plant and Bendigo assets**
- **Option Agreement will provide Catalyst Metals Limited with a 12 month exclusive option to purchase the Kangaroo Flat gold plant and all associated Bendigo assets**
- **Assuming settlement is effected, Unity Mining Limited will, in addition to cash payments and an ore treatment royalty, hold between 15% and 25% of Catalyst Metals Limited and continue to have exposure to the Bendigo field as well as Catalyst's Four Eagles Gold Project, north of Bendigo**

Catalyst Metals Limited (ASX: CYL) ("Catalyst") and Unity Mining Limited (ASX: UML) ("Unity") are pleased to announce that they have signed a Memorandum of Understanding ("MOU") for Catalyst to be provided with a twelve month option to acquire the Kangaroo Flat Gold Plant, equipment and facilities, including mining and exploration tenements buildings and freehold land in the Bendigo Area ("Bendigo Assets").

It is intended to finalise and execute a binding Option to Purchase Agreement before 31 January, 2012, by which time Catalyst will have completed due diligence inspections in relation to Unity's Bendigo assets and determined whether to proceed to Phase 2 of an agreement it has with Providence Gold & Minerals Pty Ltd to earn a 50% share of the Four Eagles Gold Project.

The Option to Purchase Agreement will provide Catalyst with the right to acquire the 600,000 tonne per annum Kangaroo Flat gold plant which was built by Unity in 2006 at a cost of approximately \$65 million. This is envisaged to provide an accelerated production route for any resources defined at Catalyst's Four Eagles Gold Project north of Bendigo, where high grade gold mineralisation has been identified in shallow drilling conducted by Catalyst during 2011. Catalyst will pay \$450,000 cash to Unity during the Option period.

For Unity, it provides the opportunity to realise value from the Bendigo assets whilst still retaining significant upside exposure to the field as well as participating in a potential new gold mine utilising its currently idle infrastructure. On settlement of the Option to Purchase Agreement, Unity will receive equity in Catalyst such that it will own between 15% and 25% of the Company – dependent upon Catalyst's share price - and a deferred royalty based on any tonnes processed through the Kangaroo Flat plant.

During the 12 month Option Period, both parties will work together to reduce holding costs of the Bendigo leases. There is no intention by either party to continue the deep underground operations at Bendigo, however, Catalyst will review the acquired data to determine if there is potential for shallow gold mineralisation on the tenements. Catalyst intends to accelerate exploration at the Four Eagles Gold Project in order to reach the 50% equity level during the 12 month Option Period with the objective of defining shallow gold resources.

Agreement Terms:

Under the terms of the MOU and Option to Purchase Agreement (yet to be signed), the following terms have been agreed:

- On signing of the MOU – Catalyst will pay Unity **\$50,000** (non-refundable) in cash for the exclusive right to formalise an Option Agreement before 31 January, 2012.
- On signing the Option to Purchase Agreement, Catalyst will pay Unity **\$100,000** (non-refundable) in cash and issue **1,000,000** ordinary fully paid shares in Catalyst to procure a twelve month option to purchase all the Bendigo Assets from Unity. During the 12 month option period, Catalyst are required to make a further three quarterly non-refundable cash payments of **\$100,000** with the right to withdraw from the option at any time.
- Upon exercise of the Option, a binding agreement for the sale and purchase of the Bendigo Assets will arise (subject to necessary approvals) under which Catalyst will make the following commitments:
 - Issue Unity with a further **2,000,000** shares in Catalyst;
 - Issue Unity with Catalyst shares valued at a minimum of **\$4,000,000** and a maximum of **\$10,000,000¹**; and
 - Grant Unity a deferred royalty on future production with an initial payment of \$2,000,000 after processing of 50,000 tonnes, plus a production royalty of \$5 per tonne of ore processed up to a maximum of **\$4,000,000**.
- During the option period Unity will keep the tenements in good standing and maintain the plant, equipment and infrastructure in good condition.

Unity's Managing Director, Andrew McIlwain comments "This transaction both provides Unity shareholders with the opportunity to realise value from the idle Bendigo project and participate in what could be an emerging gold field north of Bendigo. It also provides the necessary certainty in relation to Unity's future in Bendigo and will enable us to focus on capability of our other assets in Tasmania and Africa.

On settlement, Unity will hold a key stake in Catalyst Metals and significant upside exposure to the fortunes of the region. Additionally, Catalyst will replace the Performance Bonds thereby releasing approximately **\$6 million**, which with our substantial current cash balance will facilitate our objective to grow Unity in the pursuit of substantial shareholder returns".

Catalyst's Technical Director, Bruce Kay, said, "This agreement provides Catalyst with a unique opportunity to achieve early gold production from any resource defined at the Four Eagles Gold Project and build a dominant position in the Bendigo North Goldfield. Even a small gold resource at shallow depth could become profitable without the high capital cost and delays in building a new plant at Four Eagles. Catalyst will also have 12 months to assess the potential of the Bendigo tenements to host shallow gold deposits."

– ENDS –

¹ Note: the number of shares will be equal to \$4 million in value subject to any adjustment necessary to ensure Unity's voting power in Catalyst is at least 15% and does not exceed 25% - provided that this does not result in the issue of more than \$10,000,000 worth of shares - with any adjustment also being subject to any waiver that may be required under ASX Listing Rules.

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Figure 1 – Unity Gold Plant at Kangaroo Flat looking north towards Bendigo