

Unity Mining
Limited
ABN 61 005 674 073

Corporate Details:

ASX Code: UML

Issued capital:

509.7M ord. shares
0.8M unlisted options
2.6M unlisted perf. rights
0.3M unlisted share rights

Substantial Shareholders:
Orbis Funds 59.6M (11.7%)
STRS Ohio 37.0M (7.2%)

Directors:

Non-Executive Chairman:
Peter McCarthy
Managing Director:
Rod Hanson
Non-Executive Directors:
Ronnie Beevor
Richard Guy OAM
David Ransom

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Rod Hanson
Managing Director & CEO
21 January 2011

Key Points

- Quarterly gold production of 16,048 oz
- Continuing exploration success at Henty
- New tenement doubles Henty ground position
- Cash increases by \$12.3M to \$49.9M

Summary

Rod Hanson, Managing Director & CEO comment "Exploration at Henty continues to deliver, with drill results this quarter significantly expanding the size of the Newton Zone. This success at Henty has increased the mine's planning horizon to beyond two years, which is the best position the mine has been in for some time. The recently awarded Tullah ground, contiguous with our Henty tenements, doubles our footprint in Tasmania and offers us tremendous exploration potential.

Gold production for the December quarter increased by 8% to 16,048 ounces at a cash cost \$1041/oz. Our key focus is to improve the Henty operating performance through higher gold grades.

We are also anticipating strong exploration results from our 20% associate GoldStone Resources, which is due to commence drilling and soil sampling programs at its West African properties in Ghana" said Mr Hanson.

Production

- Total gold production of 16,048 oz at a cash operating cost of A\$1041/oz (14,922 oz gold at A\$1218 in Sep 10 qtr).
- Henty Gold Mine produced 9463 oz at a cash cost of A\$1002/oz, whilst the Kangaroo Flat Mine produced 6585 oz at a cash cost of A\$1098/oz.
- Production for FY11 is planned to be approximately 60,000 oz gold.
- Kangaroo Flat production hiatus planned for mid 2011.

Exploration

- Drilling at Henty has further expanded the Newton Zone, which remains open at depth. Access development commenced with initial ore production planned for the June 11 quarter.
- GoldStone Resources (20% owned by Unity Mining) announced that drilling is planned to commence at Homase, Ghana, pending final regulatory approval. GoldStone also announced the approval of the Sangola license by the Senegalese Government.

Corporate

- Gold sales were \$24.6 million during the quarter from the physical sale of 17,819 oz gold at an average price of A\$1381/oz.
- Cash in bank was \$49.9 million at 31 December 2010 (\$37.6 million at 30 September 2010). Major non-operating cash inflows during the quarter related to the repayment of the loan to BCD Resources (BCD) and the sale of BCD shares.
- The change of Company name to Unity Mining Limited was approved by shareholders at the AGM on 19 November 2010. Trading on the ASX commenced as Unity Mining (ASX Code: UML) on 6 December 2010.

BACKGROUND

Unity Mining Limited (ASX: UML) is an Australian gold explorer and producer which owns and operates two producing underground gold mines in Australia; the Henty Gold Mine on the West Coast of Tasmania and the Kangaroo Flat Mine in Bendigo, Victoria. The Company is also involved in gold exploration in West Africa through its investment in GoldStone Resources Limited.

The Henty Gold Mine has produced in excess of one million ounces of gold over a 14 year period. Unity Mining acquired Henty in July 2009. Recent exploration success has significantly extended the mine life, and continued exploration remains a key focus.

PRODUCTION

Safety

There were two lost time injuries and five medically treated injuries during the quarter. One of these injuries involved a Kangaroo Flat Mine employee sustaining serious injuries when he was struck by a rock whilst working underground. The employee's recovery is progressing very well. This incident reinforced our focus on eliminating injuries from the workplace. Continuously improving safety performance remains our highest priority.

Performance

	Dec 2010 Qtr	Sep 2010 Qtr	YTD 2010/11
Henty Gold Mine			
Ore mined (t)	69,518	65,388	134,906
Ore processed (t)	68,850	65,632	134,482
Grade (g/t gold)	4.6	4.1	4.4
Recovery (%)	92.8	92.6	92.7
Gold produced (oz)	9463	8007	17,471
Cash operating cost (A\$/oz)	1002	1306	1141
Cash operating cost (A\$/t)	137	160	148
Kangaroo Flat Mine			
Ore mined (t)	33,173	47,251	80,424
Ore processed (t)	49,011	52,880	101,891
Grade (g/t gold)	4.9	4.8	4.8
Recovery (%)	86.0	85.1	85.5
Gold produced (oz)	6585	6915	13,500
Cash operating cost (A\$/oz)	1098	1116	1107
Cash operating cost (A\$/t)	147	146	147
Total Company			
Gold produced (oz)	16,048	14,922	30,971
Cash operating cost (A\$/oz)	1041	1218	1126

Henty Operations

Underground mine lateral development of 914 metres was completed during the quarter (864 metres Sept 10 qtr), with 56% in the Tyndall Zone. Further exploration drilling of the Newton Zone has produced very good results. Capital development to access the zone commenced late in the quarter from the Mt Julia workings.

- Mining

Ore was mined from a number of sources, with the Tyndall Zone contributing 69% and Darwin South 27%. Development contributed 33% of the total ore mined (69,518t), much of which came from the Tyndall sill drives.

The Tyndall Zone ventilation was upgraded with a new intake rise which is significantly enhancing productivity from this zone.

- Processing

The low ore feed grade was the major factor adversely affecting production for the quarter. The head grade (4.6 g/t gold) was below expectations, due to mining dilution and some ore sources not meeting reserve expectations, but also due to the unplanned processing of lower grade development and stope ore. Total tonnes processed were 10% below plan. The head grade is now expected to remain below the reserve average for the March quarter pending access to higher grade sections of the Tyndall Zone in the June 11 quarter.

Kangaroo Flat Operations

As announced at the Annual General Meeting in November 2010, exploration success at Kangaroo Flat Mine has not kept pace with mine production. Exploration, both close to existing mine workings and further afield is continuing, but has yet to provide new economic discoveries. Operations are currently planned to enter a hiatus in mid-2011.

During the December quarter, underground mine lateral development of 547 metres was completed (618 metres Sept 10 qtr). This development included access to Dunlop, Gordon and Westcott reefs, and the development of ore drives in Dunlop, Gordon and McDermott reefs.

Production was impacted by the processing of lower grade mining blocks from Dunlop and Gordon reefs and the processing of low grade stockpiles.

- Mining

A total of 40,134 tonnes were mined during the quarter, consisting of 33,173 tonnes from Gill, Young, Dumble, Dunlop and Gordon reefs and 6961 tonnes of low grade. Grades of individual reef parcels varied from 1.7 g/t to 14.1 g/t, averaging 4.9 g/t gold. Of the ore mined, 14,559 tonnes was from development, 15,264 tonnes from cut & fill stoping and 3350 tonnes from bench stoping.

- Processing

Production for the quarter was 6585 oz, a 5% decrease on last quarter, resulting from fewer total tonnes processed, slightly offset by a combination of the higher head grade and higher total recovery.

Tonnes treated decreased by 7% compared to last quarter at 49,011 tonnes with 13 mining blocks processed, three from Gill reef, two from Dumble reef, two from Dunlop reef, one from McDermott, one from Gordon reef, two other blocks from a combination of sources and two low grade blocks.

EXPLORATION

Henty Exploration

Two underground and two surface drill rigs continued to test targets in and around the Henty Mine.

- Newton Zone

The Newton Zone continued to produce excellent gold intersections, with the following assay results announced to ASX on 29 November 2010.

Hole Number	Length (m)	Est. True Width (m)	Gold Grade (g/t)	Lens
Z18188	2.7	1.2	9.6	Footwall
Z18188	23.0	10.6	11.0	Main
Z18196	17.5	8.6	3.5	Footwall
Z18196	18.1	9.5	8.2	Main

Estimation of a Mineral Resource is in progress. Plans are being prepared for infill drilling, in parallel with step-out drilling that will continue to seek extensions of the Newton mineralisation.

- Read Zone

Infill drilling of the Read Zone continued from underground. Assay results are awaited. Surface drilling of the upper parts of the zone to the south failed to intersect gold mineralisation, though extensions to the Read alteration envelope were confirmed.

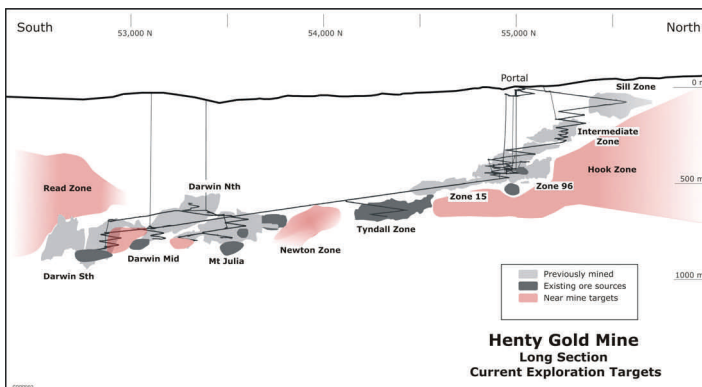
The Read Zone is still open for 1.5 km down plunge to the south. Surface holes are planned to test this target.

- Henty southern extensions

Surface drilling tested for deep extensions at the very southern extent of the mine, beyond the Darwin South Zone. Two holes were drilled, with one intersecting 0.5 m at 2.6 g/t gold. This assay is encouraging in so far as it shows that significant gold mineralisation is still present 400 metres south of the Darwin South Zone, in a region previously thought to have poor gold prospectivity. The area is untested for at least 80 metres to the north and up-dip. It is completely untested to the south and down dip.

- Hook Zone

Surface drilling of the Hook Zone continued, with seven holes drilled to date, including three this quarter. One hole returned an assay of 2.65 m at 1.3 g/t gold. This hole is nearly 200 metres north along strike from the high grade Zone 96. Infill drilling between this hole and the edges of Zone 96 is being considered. A substantial amount of the Hook Zone remains untested.

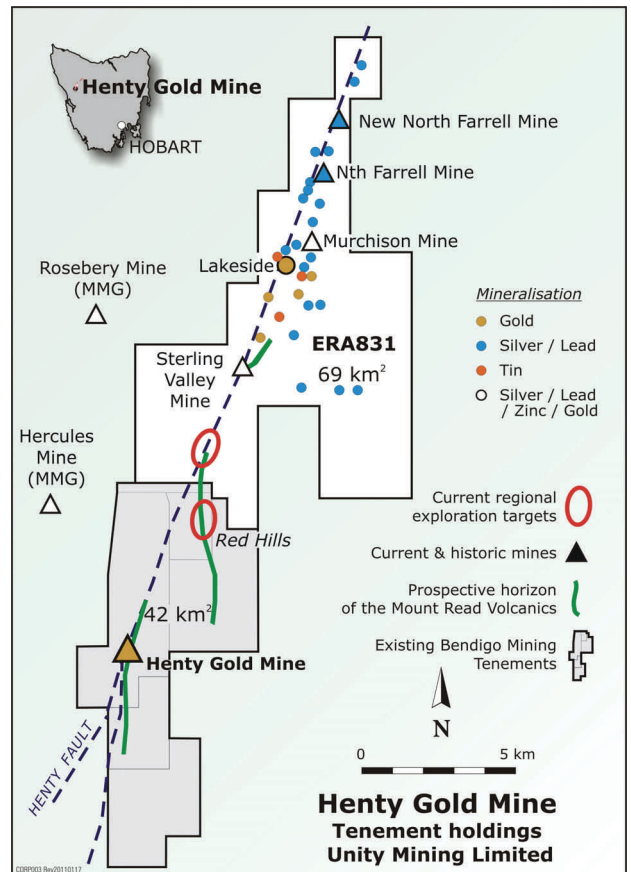


- Regional

Drill sites were prepared at Red Hills, 5 km north east of Henty, where drilling next quarter will seek to intersect the extension of mineralisation in historic drill hole RH5 (2.8 m at 34 % zinc, 11% lead, 250 g/t silver and 6.5 g/t gold).

The Company was successful in bidding for the Tullah Exploration Licence. This tenement is highly prospective with many known mineral occurrences, such as:

- **North Farrell and New North Farrell Mines:** Total combined production was 731 kt at 426 g/t silver, 13% lead and 2% zinc. Mineralisation is known to persist at depth below the New North Farrell Mine.
- **Lakeside:** Historical intersections include 4.7 m at 5.9 g/t gold and 4.0 m at 3.3 g/t silver.
- **Murchison Mine:** Past production of 25 kt at 2 g/t gold, 350 g/t silver, 10% lead and 15% zinc.
- **Sterling Valley Mine:** Historical intersections include 2.7 m at 1.1 g/t gold, 12.9% lead and 8.1% zinc.



The Tullah licence more than doubles the Company's coverage of the Henty Fault to 29 km. Henty style gold targets exist in the southern part of the licence, directly north from the Henty Gold Mine.

The first task planned on this tenement is to drill defined targets along strike from the Lakeside and Sterling Valley gold mineralisation.

Bendigo exploration

During the quarter 4763 diamond drill metres were completed using two drill rigs to test the Deborah, Garden Gully, New Chum and Sheepshead lines of reef from underground locations within the Kangaroo Flat Mine, and the Nell Gwynne line from a surface location south of the mine workings.

The Company has announced a change of focus for exploration of the Bendigo tenements. The activity is shifting to a broader field-wide approach with the aim of applying the knowledge gained during the exploration and mining of the central part of the goldfield to other areas of historic workings and favourable geological structures identified on the exploration licences. The new program is aimed at developing targets with the potential to host significant gold deposits which may enable mining to be carried out on a sustainable basis.

Field mapping of the exploration licences has accelerated during the quarter with coverage of the Crown land near completion. The generation of the geological and structural interpretations of these areas has commenced. Correlation with geophysical data, historical data and aerial photography interpretations has also commenced.

GOLDSTONE RESOURCES

On 20 October 2010, GoldStone Resources Limited (20% owned by Unity Mining) announced that the decree relating to the Sangola license had been signed by the Senegalese Mining Minister.

GoldStone intends to commence exploration on this large tenement which covers some 470 km² of prospective Birimian rocks. GoldStone has highlighted that the licence area is southwest of Randgold's Massawa deposit and Mineral Deposit's Sabodala Gold Mine (see diagram below).

In Ghana, GoldStone is planning to commence initial drilling at Homase, pending final regulatory approval, and is also about to conducting a soil sampling program at the Manso Amenfi tenement.

Full details of the announcements can be found on GoldStone's website at www.goldstoneresources.com

CORPORATE

Gold sales were \$24.6 million during the quarter from the physical sale of 17,819 oz gold at an average price of A\$1381/oz.

Cash in bank was at \$49.9 million at 31 December 2010 (\$37.6 million at 30 September 2010). Mine operating cashflow was positive \$6.4 million before capital and exploration expenditure of \$6.0 million, and changes in working capital over the period.

The \$5 million pre-completion loan to BCD was repaid in full with interest on 14 October 2010, and on 25 November 2010 the Company announced it had sold its shares in BCD Resources for \$1.1 million.

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Competent Persons' Statement

Any information in this public report that relates to Ore Reserves, Exploration Results and Mineral Resources is based on, and accurately reflects, information compiled by Matt Daly for the Henty Gold Mine and Rob McLean for the Kangaroo Flat Mine in relation to Ore Reserves, Angela Lorrigan for regional Exploration Results at the Henty Gold Mine and Raul Hollinger in relation to mine Exploration Results and Mineral Resources at the Henty Gold Mine and Rodney Fraser for Exploration Results and Mineral Resources at the Kangaroo Flat Mine. Daly, Hollinger, Lorrigan and McLean are Members of the Australasian Institute of Mining and Metallurgy, and Hollinger and Fraser are Members of the Australian Institute of Geoscientists. Daly, Fraser, Hollinger, Lorrigan and McLean are full time employees of the Company and have more than five years experience in the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Daly, Fraser, Hollinger, Lorrigan and McLean have given prior written consent, where required, to the inclusion in this report of the matters based on their respective information, where applicable, in the form and context in which it appears.

