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EL28/2001 Annual Report

'Tyndall Creek'

EL28/2001

Vol. 1 of 1

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DATE:	June 2017
MAP SHEETS:	1:25k Tyndall (3835) Oceana (3635) 1:100k Sophia
GEOGRAPHIC COORDS (GDA94):	Min East: 379,100mE Max East: 382,100mE Min North: 5,356,200mN Max North: 5,360,200mN
COMMODITY(s):	Au, Basemetals

Summary

The drilling of two holes at the Tyndall Creek Prospect, in concert with on-going work at Henty Gold Mine has led to a greater understanding of the interplay of structures and alteration in the formation of Henty-style mineralisation on this tenement. It is anticipated that this will be put to good use in the continued exploration of EL28/2001 and EL12/2016 to its south.

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Appendices

Appendix 1 Drill Hole Data and logs

1. Introduction

This report details work completed by Unity Mining Limited (UML) on EL 28/2001 from 11th May 2016 until 10th May 2017.

The licence area consists of crown land and land vested in the HEC, both land uses coming under the Mines Act. The far western edge of the tenement is part of the Mt Dundas Regional Reserve (World Heritage Recommended Area for Protection). The far eastern extent, east of the HEC high-tension power lines is the Tyndall Regional Reserve. Any disturbances in these areas require notification and approval from the Mineral Exploration Working Group (MEWG). Further conditions of exploration are outlined in the Exploration Code of Practice (produced by Mineral Resources of Tasmania (MRT)).

The land vested in the HEC includes Lake Newton and associated pump station, the Henty canal, the high-tension power lines and service tracks.

1.1 Tenure

EL28/2001 was acquired in 2002 by Placer Dome Asia Pacific (formerly AurionGold Exploration and previously Goldfields Exploration) after a successful tender for ETA 552.

Barrick (Henty) Limited acquired the EL in January 2006, following the global takeover of Placer Dome by Barrick Gold Ltd.

In July 2009 Bendigo Mining Limited (BML) purchased the Henty Gold Mine and EL 28/2001 from Barrick Australia. BML subsequently applied for, and were granted, a variation to the tenement, which enlarged the area to the south by 1.4 sq km (Figure 1). BML changed its name to Unity Mining Limited on the 6th December 2010.

On 1st June 2016, after a protracted series of offers and counter-offers, UML was taken over by Diversified Minerals Ltd. UML remains an entity but has been de-listed from the ASX.

At the time of writing an application for extension of this tenement for 2 years was current.

1.2 Location and Access

Lake Newton (EL28/2001) occurs midway between Queenstown and Tullah on Tasmania's West Coast. The EL's northern boundary abuts the Henty Gold Mine lease 5M/2002 (Figure 1). Local access to the tenement is off the Howards and Anthony Roads.

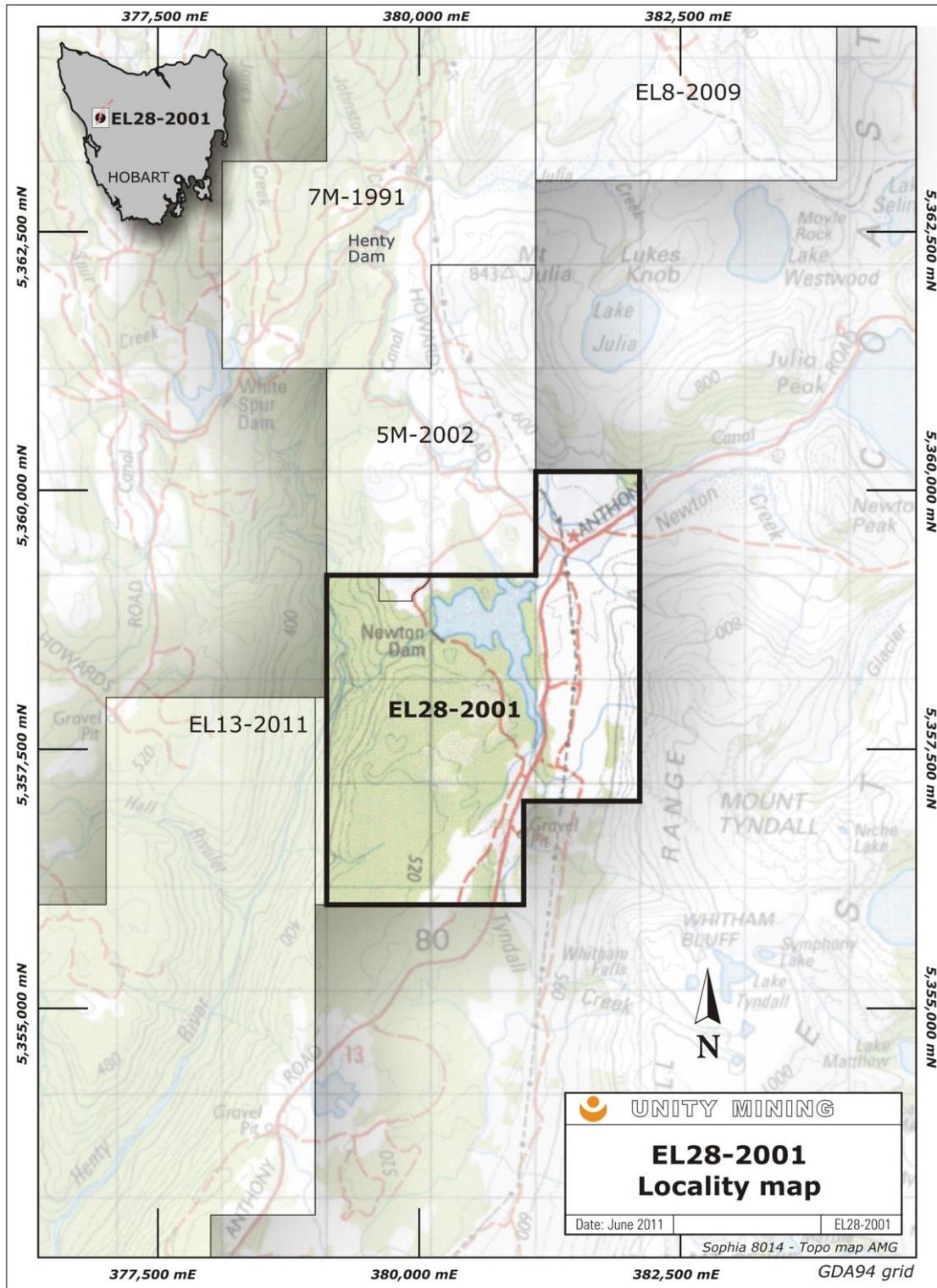


Figure 1: Location of EL28/2001 (map in GDA 94 projection).

1.3 Regional and Local Geology, Alteration and Mineralisation and Previous Exploration

Regional and Local Geology, Alteration and Mineralisation and Previous Exploration are detailed in last year's tenement report (Timms et al, 2014), and have been excluded from this report for succinctness.

2. Work Completed during the Reporting Period 2016 to 2017

2.1 Diamond drilling

Two drill holes, TC 8 and TC 9, were completed during the reporting period. The location details of the holes are listed in Appendix 1.

The drilling program was undertaken by contractor Wholecore Drilling, using a track-mounted Cortech CSD 1800 diesel-hydraulic rig.

The two holes were drilled into an area where drill holes have previously intersected gold in an area of structural deformation. The purpose of the drilling was to attempt to determine the shape, style and plunge of the mineralization.

A map showing the location of the collars of the holes, as well as other in the area is shown in figure 2.

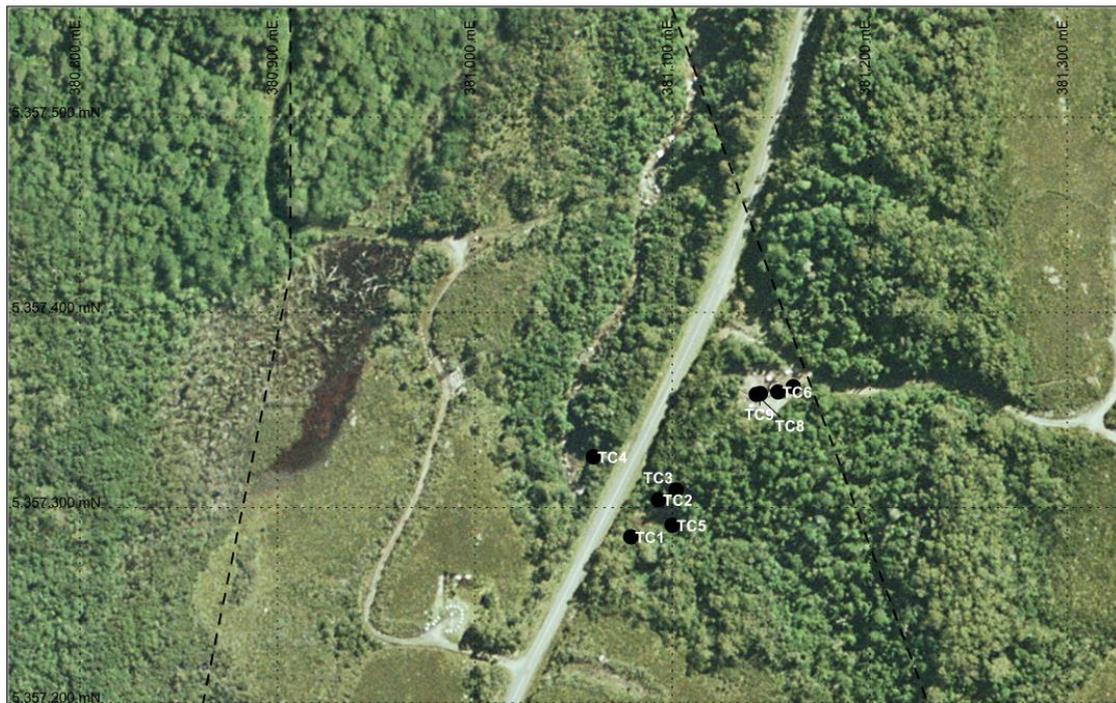


Figure 2: Drill Collar locations, Tyndall Creek. MGA 94, grid spacing is 100 m.

2.2 Results

The drilling confirmed previous results that show the mineralisation is found where the altered, Tyndall Group sediments, at the contact with the carbonate-rich Andesites in the underlying Central Volcanic Complex, are deformed by significant structures.

The altered horizon appears to have a shallow dip, and the mineralisation is probably largely controlled by this, though the overprint of very significant structures in the core also appears to be a factor because in holes such as TC 7, where the structural deformation is absent, there is no mineralisation.

The best intercept in the program was in TC 8 and was 3.35 m at 1.3 g/t Au, from 70.65 m, including 0.65 m at 2.5 g/t Au from 71.35 m.

A cross section through this and adjacent drill holes is shown below.

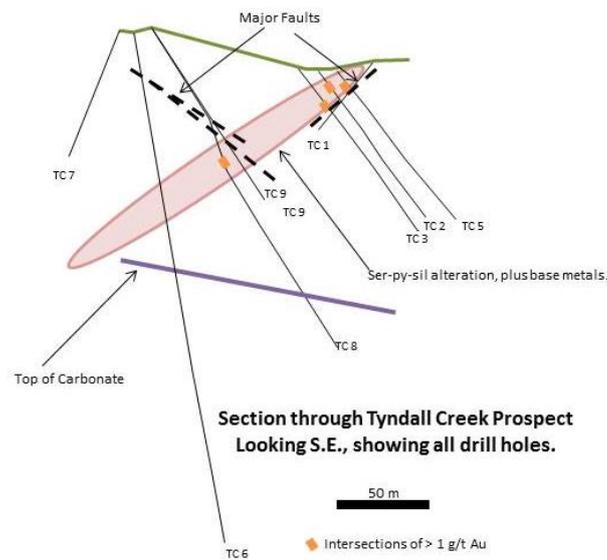


Figure 3: Cross section through TC 8 and 9 and adjacent drill holes.

2.3 Interpretation

Given the importance of the combination of structure and alteration (probably related to stratigraphic position) an attempt was made to get further structural information from the aeromagnetic images.

The Great Lyell Fault is clear on the 1VD image, as is a semi-parallel structure which runs parallel for some distance along the CVC-Tyndall contact. A number of linking structures between these two features were also observed. One of these runs through the prospect.

These features are shown in figure 4 below.

On the basis of the results from recent drilling and from knowledge gained from Henty Gold Mine, it appears there are two target areas to be explored with future work. These are identified by red ellipses.

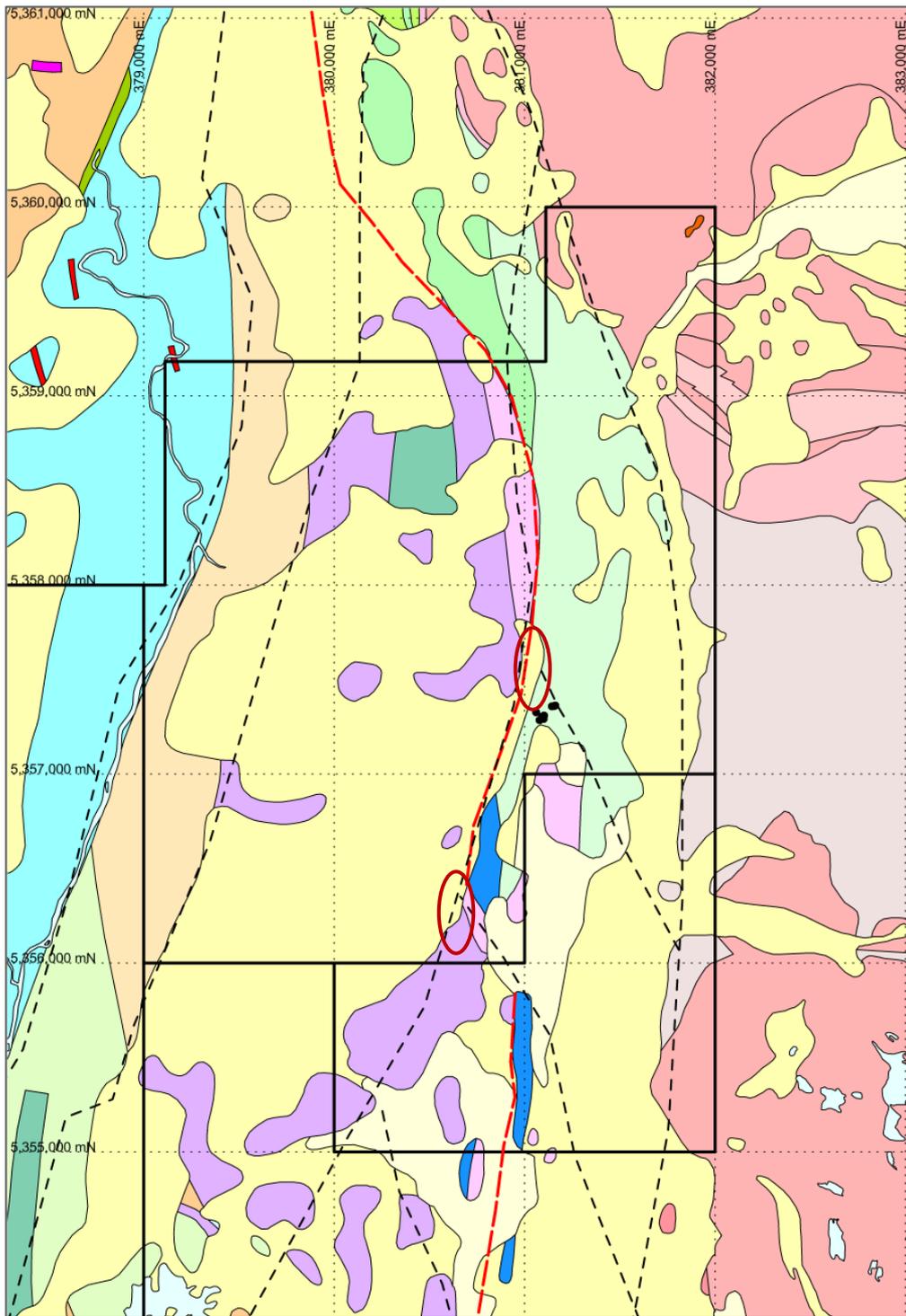


Figure 4. Geological map showing the Tyndall Creek drill holes (black dots), the CVC-Tyndall boundary (red-dashed line) and interpreted structures (black dashed lines). Red ellipses show areas to be targeted with future work.

3. Environment

A recent inspection of the drill site shows the holes are soundly capped and labelled and there is no leakage from them. The site has not been rehabilitated in case it is required for future drilling but water run-off is minor and is controlled via a system of riffles and settling ponds.

4. Conclusion

The completed drilling has clarified the controls on gold mineralisation and also enabled future prospective areas to be identified.

5. Planned Work - 2017/2018

The following work is planned:

- Continue 3D interpretation of data using Datamine (to get a better sense of plunge of structural/stratigraphic intersections);
- Drill-test identified target zones.

6. Expenditure 2016/17 Reporting Period

Total Expenditure for the 2015/16 Reporting Period was:

Expenditure May 2015-April 2016	\$
Geology	12,500
Access, survey, earthworks	700
Drilling (incl. mob.)	56,010
Assays	1440
Tenement	1550
Admin	7065
TOTAL	77,715

Table 1: E28/2001 Tyndall Creek Exploration Expenditure 2016/17.

7. Forecast Expenditure 2017/18 and 2018/19

Forecast expenditure for the following 2 years (in-line with the extension application) is as follows:

Planned Exp. 2017		Planned Exp. 2018	
Geology	24,700	Geology	30,000
Geochemistry	15,000	Geochemistry	10,000
Drilling	80,000	Drilling	120,000
Admin (10%)	13,300	Admin (10%)	16,000
133,000			

Table 2: E28/2001 'Tyndall Creek' Exploration Budget Forecast 2017/19

References

Timms, C. et al 2014. EL 28/2001 Annual Report 'Tyndall Creek' May 2014. Unity Mining Ltd, Australia (Unpublished).

