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Business

**Gold mining and exploration
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Financials

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**Compelling results from the last round
of drilling show the continued expansion
of this major high-grade gold project**

Great address for gold exploration. InterGroup Mining's (IGM) Brumby Project spans more than 100km² of highly prospective ground in the Charters Towers Gold Province in Queensland, Australia, where in excess of 20Moz of high-grade gold has been mined. IGM has discovered grades as high as 176g/t gold in quartz-vein mesothermal Charters Towers style gold mineralisation, known for being large high-grade structures that hold a lot of gold ore. The company's biggest discoveries over the project area ahead of the latest drilling have been along a prominent 2km Brilliant Brumby line.

Firm evidence that surface mineralised lodes continue to depth. The 2018-19 drilling programme successfully targeted shallow gold resources in granite host quartz veins for immediate mining plus deeper resources for future mining. Mineralised lodes are clearly seen to continue from the surface to depth. It is also now firmly believed that Brilliant Brumby is likely to be connected to Brumby North which suggests the gap zone could contain significant additional gold mineralisation. This is just one of the highest priority follow-up drilling targets which also includes old workings along with down-plunge extensions of high-grade intersections.

New area Brandy Creek shows big potential. With the recently driven access road, Brandy Creek was drilled for the very first time. Highly encouraging early drilling results show this to be an important additional new area. In fact, Brandy Creek was seen to contain similar mineralisation to the Brilliant Brumby line that lies just 5km away. All these isolated gold targets may be connected underground, but this remains to be proved.

True scale of the project starting to become apparent. North East Queensland remains under-explored and IGM's work on the ground has involved two rounds of drilling which have revealed substantially more gold in historic mining areas. Drilling results show that gold mineralisation remains open at depth at many prospects with down-hole geology now providing clear evidence of the scope for more focused and continuous gold mineralisation at depth. It does seem that the veil is just beginning to be lifted on the possible true scale of the Brumby Project.

Tier-1 gold asset in the making. Successes enjoyed in exploration, mining and processing across the licence area should allow the project to rapidly climb the valuation curve. Low-cost open pit mining combined with fairly straight forward gravity processing and an expanding resource of high-grade gold are fast suggesting a quality Tier-1 gold asset with costs firmly within the lower quartile. Recent decades have seen the majors become reliant on the junior mining companies for their world class mines of tomorrow. Given the rapidly growing size of the Brumby Project, it looks as though IGM could start to attract such interest.

20+ million ounces of gold

Exceptional gold grades

Continued expansion

INTRODUCTION

InterGroup Mining (IGM) has a 100% stake in the Brumby Project which is a fast-expanding major gold project in Northern Queensland. The Brumby Project covers more than 100km² of highly prospective ground in an underexplored gold district lying within the Charters Towers Gold Province.

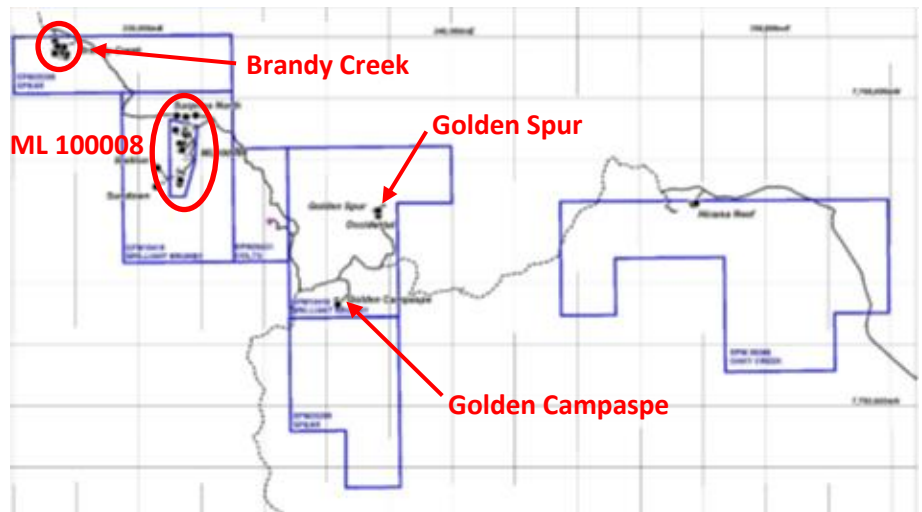
Over the years, in excess of 20 million ounces of gold has been mined in this gold province from: mines in the Charters Towers area (7.1Moz), Ravenswood (4Moz), Pajingo-Vera Nancy (3.8Moz), Mount Leyshon (3.5Moz), Mt Carlton (1.4Moz), Mount Wright (1Moz+) and Wirrelie (1Moz).

The geology is dominated by granites and to date most of the target areas that have been discovered seem to lie along linear geological structures which are favourable locations for gold mineralisation. The main targets in the project area are gold mineralisation in veins and stockwork which are mineral deposits formed by a network of veinlets in random directions.

IGM's project area contains a number of historic mines which have exploited exceptional gold grades in the past and have been the focus of much of the early exploration effort. Drill targets have been defined across the project area with IGM discovering grades as high as 176g/t gold. Some of these targets were tested in the 2013-14 drill programme (52 holes for 4,633m) which confirmed that the widespread surface mineralisation continued down hole with high grade drill samples up to 74.1 g/t gold.

2018-19 DRILLING PROGRAMME

The latest round of drilling consisted of 148-hole reverse circulation drilling programme for 11,130m on a total of 25 prospects on four of the five tenements which make up the Brumby Project. The drilling targeted both the shallow gold resources in granite host quartz veins for immediate mining and processing as well as deeper resources for future mining.



Areas drilled in 2018-19 showing the locations of drill hole assays greater than 3g/t gold

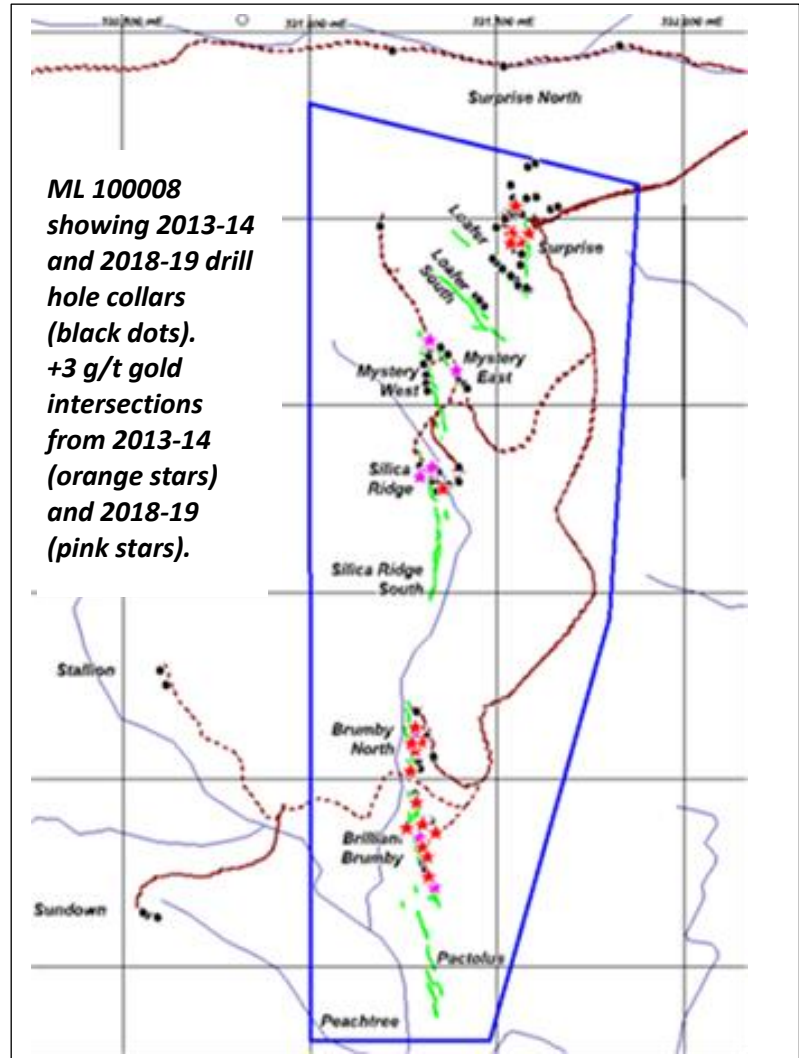
High-grade gold (greater than 10g/t gold) was intersected at Brilliant Brumby, Brumby North and Surprise on ML 100008, at Brandy Creek on EPM 25299 and also on EPM 18419 where gold grades above 5g/t were intersected at Golden Spur and Golden Campaspe.

The best and most continuous high-grade gold mineralisation was found at Brandy Creek on the Victory workings south along strike from the as yet untested 1930s underground mining area, as the rugged terrain hampered rig access. The results of this latest round of drilling clearly demonstrate the continued expansion in the scale of this large high-grade gold project.

BRUMBY ML 100008

In the mining licence ML 100008 area, the 2018-19 drilling programme saw 104 holes for 7,281m which tested the Surprise, Surprise North, Silica Ridge, Brilliant Brumby, Brilliant Brumby North, Loafer and Mystery prospects. Several ground penetrating radar targets were also drilled as well as holes that targeted water for the processing plant at Surprise.

More high-grade gold intersections



High-grade gold intersections were recorded at Surprise, Brilliant Brumby and Brumby North in ML 100008 in this latest round of drilling.

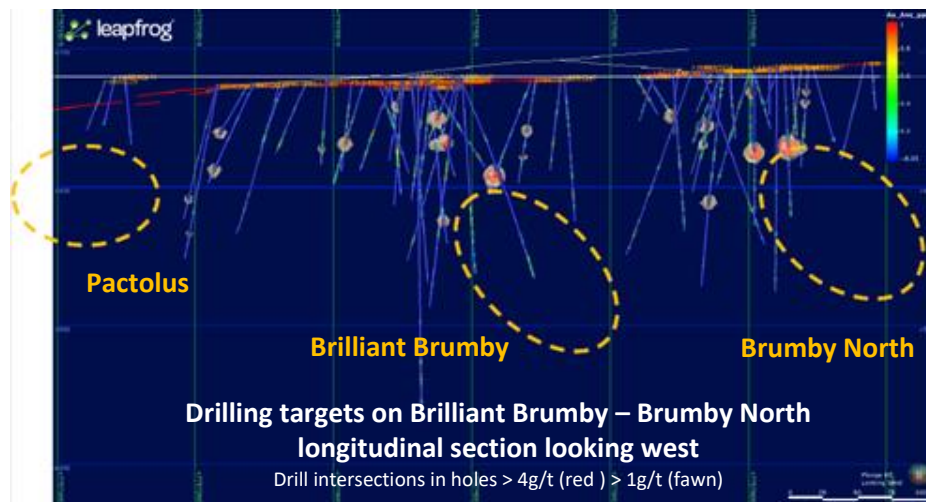
Drill samples up to 53.8g/t gold

ML 100008 – Best intersections 2018-19			
Brilliant Brumby Prospect		Brumby North Prospect	
BBRC068	3m @ 5.6g/t Au from 45m	BBRC063	1m @ 3.3g/t Au from 48m
BBRC071	1m @ 3.3g/t Au from 25m	BBRC073	2m @ 6.5g/t Au from 34m (end of hole)
BBRC072	1m @ 53.8g/t Au, 29.7g/t Ag, 0.1% Pb, 0.1% Zn from 76m	BBRC079	1m @ 4.4g/t Au from 18m
	1m @ 7.9g/t Au from 82m		2m @ 2.6g/t Au from 71m
BBRC124	1m @ 17.7g/t Au from 32m	BBRC139	1m @ 4.0g/t Au from 20m
BBRC125	1m @ 3.3g/t Au from 56m		1m @ 5.1g/t Au from 29m
BBRC126	1m @ 9.3g/t Au from 40m		1m @ 5.3g/t Au from 69m
BBRC126b	1m @ 14.8g/t Au, 0.1% Pb from 68m	BBRC140	1m @ 27.0g/t Au from 70m
BBRC172	2m @ 4.7g/t Au from 225m	Silica Ridge Prospect	
		BBRC141	1m @ 3.1g/t Au from 50m
Surprise Prospect			
BBRC045	2m @ 15.8g/t Au from 34m	BBRC150	1m @ 12.1g/t Au from 45m
BBRC115b	1m @ 3.2g/t Au from 17m	BBRC153	1m @ 3.6g/t Au from 49m
BBRC147	1m @ 5.6g/t Au from 21m	BBRC155	1m @ 4.8g/t Au from 71m
BBRC149	1m @ 3.7g/t Au from 35m	BBRC160	2m @ 10.1g/t from 85m

Significant additional gold mineralisation

The analysis of these impressive drilling results has shown that mineralised lodes continue from the surface to depth. Although Brilliant Brumby and Brumby North are discrete areas of outcropping lodes separated by apparently barren soil covered country, examination of the drill intersections in 3D has revealed the extent of the additional gold intersections on the western side of Brumby North along strike from Brilliant Brumby.

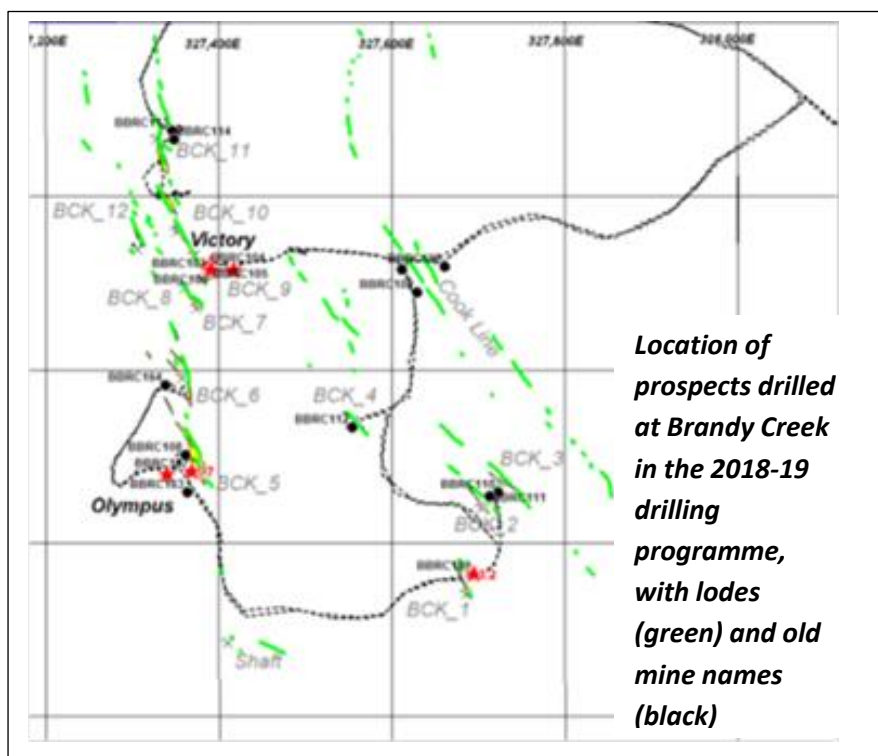
IGM's consultants believe that Brilliant Brumby and Brumby North are likely to be interconnected; so, the gap zone may contain significant additional gold mineralisation. Drill sites to test across the potentially mineralised gap zone are difficult to achieve due to the topography. Drilling the gap is recommended with oblique holes designed from the south western side.



BRANDY CREEK (SPEAR EPM 25299)

Historical workings

At EPM 25299 drilling on the Brandy Creek prospects totalled 2,024m in 21 holes targeting an investigation into the extent of the mapped historical workings and mineralised quartz veins. This area was drilled by the team for the first time following the recent construction of an access road.

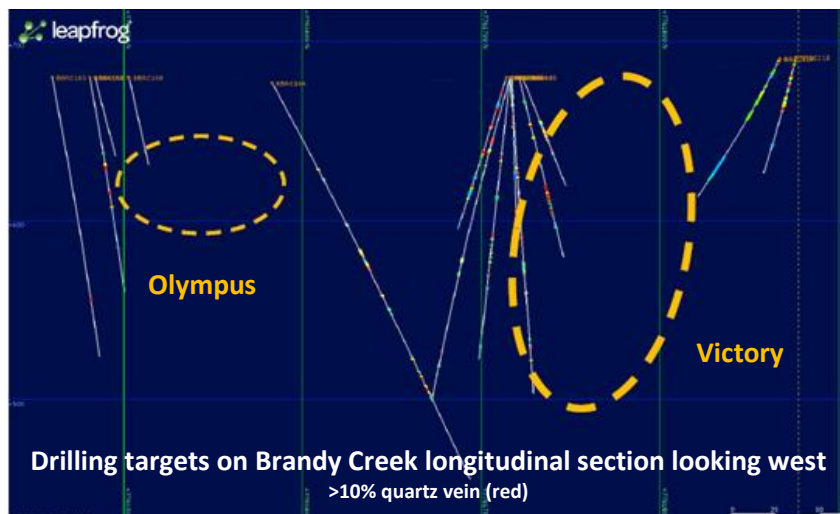


High-grade gold intersections

High-grade gold intersections were recorded below the 1930s workings at Victory (BBRC103, BBRC104 & BBRC167) and +5g/t gold was returned at Olympus at Brandy Creek which look like the most important discoveries made in this latest round of drilling.

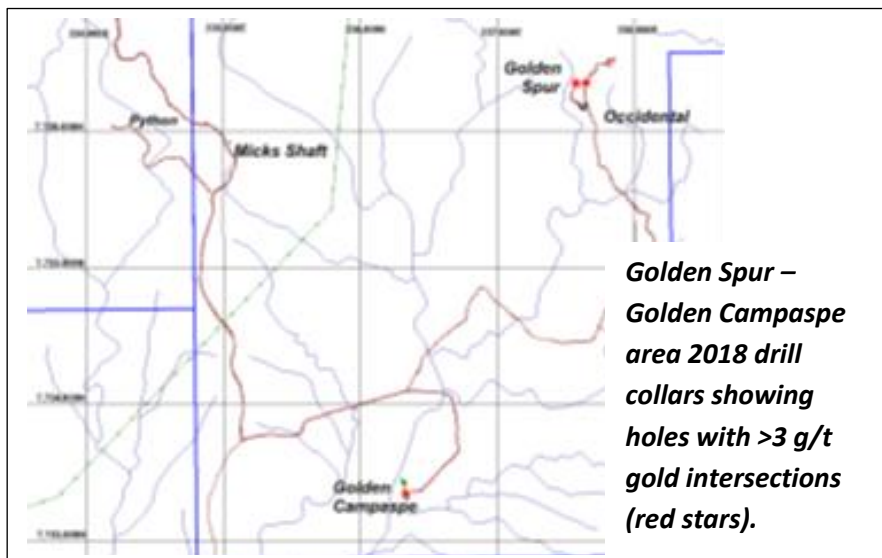
Brandy Creek Prospects – Best intersections 2018-19			
BBRC103	1m @ 11.4g/t Au, 20.4g/t Ag from 8m	BBRC109	1m @ 3.2g/t Au from 18m
BBR 104	2m @ 11.3g/t Au from 86m	BBRC165	3m @ 3.4g/t Au from 40m 1m @ 8.1g/t Au from 45m
BBRC105	3m @ 5.4g/t Au from 37m	BBRC166	1m @ 6.2g/t Au from 57m
BBRC106	1m @ 6.1g/t Au from 10m 1m @ 4.1g/t Au from 31m	BBRC167	4m @ 20.0g/t Au from 80m 1m @ 4.8g/t Au from 119m
BBRC107	1m @ 5.7g/t Au from 23m	BBRC168	1m @ 7.6g/t Au from 58m

Compelling drill targets



BRUMBY (EPM 18419) & OAKY CREEK (EPM 26366)

On Brumby EPM 18419, 19 holes totalling 1,396m were completed. Drilling tested Golden Spur, Occidental, Golden Campaspe, Sundown and Stallion prospects as well as ground penetrating radar (GPR) targets at Surprise North.



EPM 18419 – Best intersections 2018-19			
Golden Spur Prospect		Golden Campaspe Prospect	
BBRC176	2m @ 9.4g/t Au from 22m	BBRC136	1m @ 5.2g/t Au from 25m
BBRC183	2m @ 5.5g/t Au from 58m		

On EPM 26366, four holes totalling 249m were drilled on the Hirma Reef prospect but did not repeat the outcropping high-grade rock chip assays.

COMMENTS ON RESULTS OF THE 2018-19 DRILLING PROGRAMME

Exploration continues to show that the gold mineralisation is mesothermal. Such veins are known for their size and continuation at depth and are a major source of world gold production. The main takeaways from the 2018-19 drilling results are highlighted below.

Brandy Creek is an important new area – The biggest discoveries over the larger project area made ahead of the latest drilling were along the prominent 2km Brilliant Brumby line. Brandy Creek is located just 5km away and is seen to contain similar mineralisation. Highly encouraging early drilling results at Brandy Creek are fast suggesting that this is an important additional new area. The mineralisation at the Brilliant Brumby historic mine is seen to be comparable to that at Brandy Creek and is typically hosted by quartz veining trending N-S in contrast to the general NE-SW trend of the major faults and lineaments in the region. An improved understanding of the complex gold mineralisation at Brandy Creek could unlock the true potential. More accurate surveys of drill collar coordinates are recommended which would not only help to define high-grade ore shoots, but also help resolve the complex vein and high-grade gold patterns; and could result in the delineation of substantial resources.

Gold mineralisation open at depth - Mineralisation in excess of 2g/t gold remains open at depth at Surprise, the northern end of the Mystery lodes and at Silica Ridge, Brumby North, Brilliant Brumby and Pactolus North on ML 100008. On EPM 25299 grades of over 2g/t gold remain open at depth on Victory, Olympus, BCK_1, BCK_6 and BCL_11 workings at Brandy Creek and at Golden Spur and Golden Campaspe on EPM 18419.

More focused and continuous mineralisation at depth - Both the veins and lodes discovered in this system display en-echelon (closely spaced, parallel/subparallel, overlapping or step-like minor structures) characteristics within quartz. These minor structural features in the rock are due to tension fractures which seem to be mainly orientated at strongly oblique orientation to the overall structural trend. The style of the vein deposits varies with increasing depth below the paleosurface. The presence of en-echelon tension veins and some irregular stockwork veins seen at Silica Ridge and Brumby North compared to more linear, through-going veins at Brilliant Brumby and Surprise serve to indicate that the project lies near the boundary between the brittle deformation domain and the brittle-ductile transition. All of which provides the potential for more focused and continuous mineralisation at depth.

High priority follow-up drilling targets - Consultants have recommended several highest priority follow-up drilling targets. These are beneath the main old Victory workings at Brandy Creek; and down-plunge of high-grade intersections at: Brandy Creek, Brilliant Brumby, Brumby North and Surprise. As well as the gap between Brilliant Brumby and Brumby North.

Growing high-grade gold resource – Results from the 2018-19 drilling programme have confirmed that there is additional potential at depth. This together with the new discoveries all points to increasing high-grade ore potential. Further drilling at Brandy Creek is expected to focus on the adjacent area where the 1930s miners developed a small underground stope and down-plunge from high-grade mineralisation. It does look as though a possible discovery of a similar sort of trend as the Brilliant Brumby line could be on the cards. Here and elsewhere across the project area, separate zones of mineralisation may join up, so more drilling is planned which could substantially boost the potential size of this resource.

Unlock the true potential

More focused mineralisation at depth

Increasing high-grade ore potential

LARGE HIGH-GRADE PROJECT CONTINUES TO GROW IN SCALE

IGM plans to create and deliver value for shareholders by establishing viable gold operations based on the gold veins of the Mt Stewart region. Rapid progress been made in mining near surface gold resources and building up stockpiles to feed a small-scale onsite processing plant.

High-grade gold intersections continue to be discovered across the vast licence area. The most compelling discovery has been the 2km long Brilliant Brumby Line, but now some similar characteristics have been witnessed at Brandy Creek. All these isolated gold targets that are being found may connect up underground, but as yet this remains unproven.

Along with delineating deeper resources, the other main goal of the 2018-19 drilling programme was to target shallow open pit gold resources in granite hosted quartz veins for immediate mining and treatment at the onsite processing plant. The potential to upgrade narrow vein quartz has already been demonstrated, with new technology allowing gravity recovery of gold from narrow vein quartz deposits to be highly viable.

Throughput is expected to be significantly increased by additional processing capacity which is soon to be installed. Whilst, laser separation trials have successfully shown that the technology could discard 90% of granitic waste offering the scope to dramatically lower processing costs and the capital investment required at the mill moving ahead.

Exploration, mining and processing successes should allow the project to be rapidly pushed up the valuation curve. The appealing combination of low-cost open pit mining, fairly straight forward gravity processing together with an expanding resource of high-grade gold are fast suggesting a quality Tier-1 asset with costs within the lower quartile. Recent decades have seen the majors become reliant on the junior mining companies for their world class mines of tomorrow. Given the rapidly growing size of Brumby, it looks as though IGM could attract such interest.

About the author

Dr Michael Green is an independent analyst specialising in growth companies and resources companies. He gained a BSc and PhD in Mining Engineering from Nottingham University. Having been involved in consultancy work, he began working in the London financial market in the 1980s as a Resources Analyst with stockbrokers Buckmaster & Moore and then HSBC-owned Greenwell Montagu Securities. Subsequently, he was involved in analysing a wide range of growth companies and became Head of Research at stockbroker Everett Financial which specialised in the small cap market. Since, 2006 Michael has been an independent analyst. UK-based DOC Investments Ltd provides research and investor relations.

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Highly viable

Lower capex

Tier-1 asset