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Key information

Market: Private/pre-IPO
Sector: Mining

This report provides an update on the mining and processing at Mining Licence ML 100008 at InterGroup's Brilliant Brumby Project.

Business

Gold mining and exploration in Queensland, Australia. The Company has a 100% stake in the Brilliant 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.

InterGroup Mining

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Website

www.igmining.com

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Brilliant Brumby Project Update

Mining and processing are coming together with the production of a high-grade concentrate and free gold

- ❖ **Highly prospective project in the legendary Charters Towers Gold Province.** InterGroup Mining's (IGM) Brilliant Brumby Project spans >100km² of highly prospective ground in this gold province in NE Queensland, Australia, where more than 20Moz of high-grade gold has been mined. IGM has already discovered grades as high as 176g/t Au, by exploring around historic high-grade gold mines. So far, the best finds have been along a prominent 2km Brilliant Brumby line in ML 100008 where small-scale mining and processing is ongoing.
- ❖ **Growing possibility that the gold-bearing quartz lodes along a 13km corridor may connect at depth.** Virtually all the gold discovered so far has been found in Devonian mesothermal narrow vein quartz lodes. Analysis of the fast-expanding geological data base has revealed that these quartz lodes are known over a 13km long WNW trending corridor. These lodes occur within structurally controlled clusters which are typically 1-2km long and 0.5-1km wide. It does look as though investors are now just starting to gain a glimpse of the true potential.
- ❖ **Substantial stockpiles of ore now being processed.** Initial gold mining activity at ML 100008 began in 2018 and good progress has been made since with the processing. This strategy allows for early stage revenue generation as well as gaining a growing understanding of future milling requirements. Processing of the gold ore has been found to be fairly straightforward using gravity separation. Growing stockpiles of mined product for treatment are now being processed to generate a high-grade gold concentrate and free gold.
- ❖ **Brandy Creek is fast shaping up to be an important new area.** Brandy Creek was drilled for the first time in 2018 to investigate the extent of the mapped historic workings and mineralised quartz veins. Impressive grades as high as 47g/t gold have been discovered, which is close to the grades that were historically mined there in the past. Also, big similarities have been noted with the Brilliant Brumby line, and so the management is fast tracking a mining licence for this area which is planned to be developed in much the same way as ML 100008.
- ❖ **Potential Tier 1 gold asset.** The combination of a potentially large scale near surface deposit, high grade gold and relatively straight forward mineral processing could well suggest a Tier 1 status over the coming years. Work is planned towards a JORC-compliant resource which would allow an increasing valuation to be placed on IGM by mining analysts. Over recent decades major mining companies have become increasingly dependent on juniors like IGM for their projects of the future. Moving ahead it is likely that the Company will increasingly appear on the radar of the majors.

INTRODUCTION

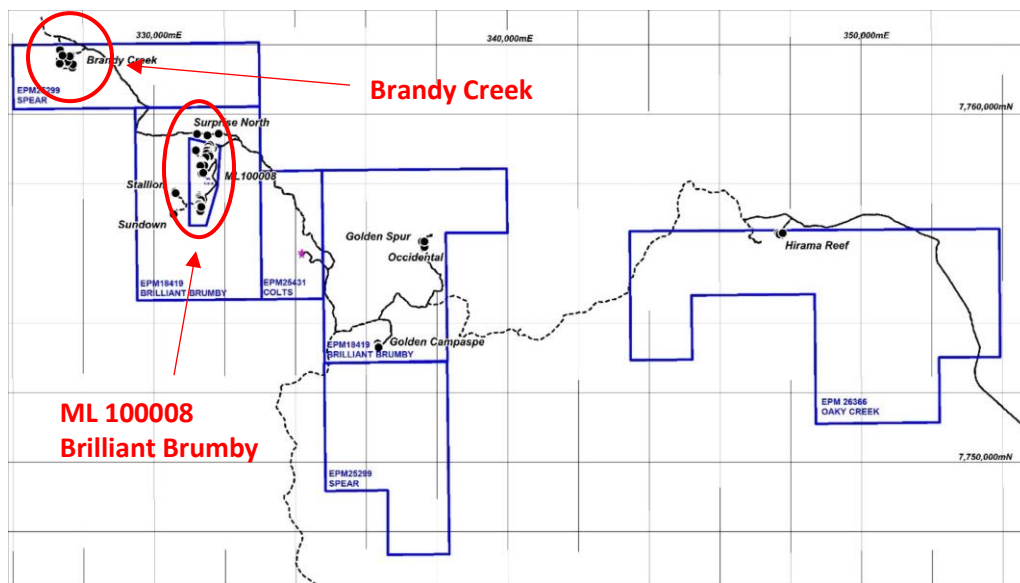
InterGroup Mining (IGM) has a 100% stake in the Brilliant Brumby Project which is a fast-expanding major gold project in NE Queensland. The Brilliant Brumby Project covers more than 100km² of highly prospective ground in an underexplored gold district of the Charters Towers Gold Province. In parallel with detailed exploration and drilling, the Company has already begun mining and processing which all looks now to be coming together.

More than 20 million ounces (Moz) of gold has been mined in the Charters Towers Gold Province over the years from: mines in the Charters Towers area (7.1Moz), Ravenswood (4Moz), Pajingo-Vera Nancy (3.8Moz), Mount Leyshon (3.5Moz), Mt Carlton (1.4Moz), Mt Wright (1Moz+) and Wirralie (1Moz).

Granites dominant the geology. Most of the target areas that have been discovered so far appear to lie along linear geological structures which are favourable locations for gold mineralisation. Exploration has demonstrated that the gold mineralisation is hosted within Devonian mesothermal narrow vein quartz lodes. It is for this reason that the main targets across the Brilliant Brumby Project are gold in these types of veins and in stockwork which are orebodies formed by complex system of structurally controlled or randomly oriented veins and veinlets.

EXPLORATION

The Brilliant Brumby Project spans a large area which contains a number of historic mines which have exploited gold ore with some exceptional grades in the past. IGM's impressive early exploration results at Brilliant Brumby and Surprise were based on sampling and drilling at the sites of these two historic high-grade gold mines. This work led IGM to successfully apply for mining licence ML 100008, which is centred on these old mines. These areas have been the focus of much of the initial exploration effort with IGM discovering grades as high as 176g/t gold.



Drilling at Surprise and Golden Spur

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

The last round of drilling was the 2018-19 programme (148 holes for 11,130m) which was carried out across a wider area, which saw a total of twenty-five prospects being drilled. Some of these prospects represented new targets, but there was also the deeper drilling of known targets in order to gain a better handle on the gold potential at depth. At the same time, shallow open pit gold resources in granite hosted quartz veins were also targeted to delineate ore for immediate mining and treatment, along with testing high-grade gold prospects at depth to outline future tonnage potential.

The results of this latest of the 2018-19 drilling programme clearly demonstrate the continued expansion in the scale of this potentially large high-grade gold project. Results included high-grade gold (>10g/t) being intersected at Brilliant Brumby, Brumby North and Surprise on ML 100008, at Brandy Creek (EPM 25299) and on EPM 18419 where gold grades above 5g/t were intersected at Golden Spur and Golden Campaspe. With all these results now incorporated into the database, certain trends have become increasingly obvious, including the distribution of the gold-bearing quartz lodes.

MINING

IGM has a clear strategy to establish viable mining operations based on the gold veins that characterise the Mt Stewart region. Already rapid progress has been made at ML 100008 which is now planned to be emulated at Brandy Creek. Initial gold mining activity at ML 100008 began in 2018 and good process has been made with mining and processing since that time, which was planned not only to allow for early stage revenue generation but also to gain a comprehensive understanding of the processing requirements that would be needed in the future.

Surface mineralisation enables low cost production with gold ore being mined by a series of shallow pits. Since mining began, activity has been largely focused at Surprise, Mystery, Silica Ridge and Brumby North. Quartz veins are being successfully mined using excavators as free digging methods can be used because the material close to the surface has been weathered, which means that there is no need for drilling and blasting.



Mining at Surprise Pit where gold ore is being stockpile for treatment (red paint indicates veins)

The management intend to develop Brandy Creek in the same way as ML 100008 with the focus on early stage mining and cash flow generation. Already a mining licence is being fast tracked for Brandy Creek with plans to truck the gold ore for treatment at the ML 100008 processing facilities.

Future mining at ML 10008 and Brandy Creek is planned by a series of shallow open pit gold mines feeding a central mill. The ability to generate a 3D model of exploration results has led to a greater understanding of the subsurface geology leading to the identification of an increasing number of shallow gold mining targets to a depth of 120m.

A further aim 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. High priority follow-up drill targets have been selected which are focused on defining a maiden and expanded resource.

PROCESSING

Initially mined gold ore was being stockpiled ahead of the establishment of a small-scale processing plant which was commissioned in November 2018. The plant has subsequently upgraded to improve recoveries and increase capacity to process gold ore from the growing stockpiles of mined product which are awaiting treatment. Today, the operation seems to be coming together with the reported production of high grade concentrate along with free gold.

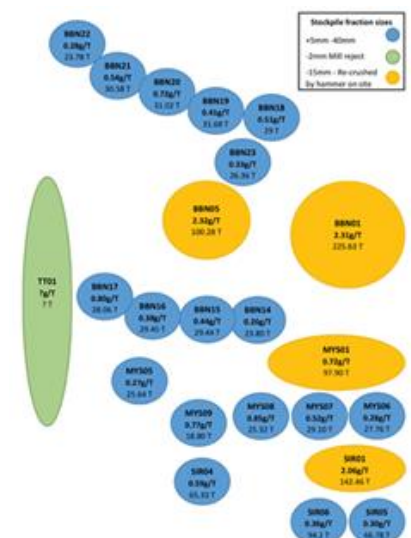
Processing of the gold ore has proved to be fairly straightforward using gravity separation, where the gold can be separated from the waste based on their differing densities. The run of mine (ROM) is first screened and crushed to provide the correct size fraction to feed the processing plant, which has been shown to successfully separate the quartz rich fraction. The +10 to -50mm range is typically 2-5g/t gold, whilst the 0-10mm fraction has a grade of around 0.5g/t Au.



Processing plant at ML 100008

Screened ROM is fed from a hopper into the hammer mill with the -0.8mm material going into an agitator tank to create a 40% ore slurry to feed into the Centrifugal Concentrator, which recovers free gold in all particles size, especially fine gold that might be lost during the operation of gravitational concentrators. With the oversize +0.8mm material goes through the hammer mill again. The resultant gold bearing pregnant solution then passes on to the Gemeni Table where the gold is recovered. Certainly, the Gemeni Table is an important piece of equipment that allows a bullion grade gold product to be obtained from concentrates at high recoveries.

The team is also investigating the use of laser separation with TOMRA Sorting Solutions, where trials have shown that laser technology is able to discard something like 90% of granitic waste and reduce costs. Such technology could serve to dramatically reduce future processing costs and capital expenditure by substantially reducing the amount of ROM needing to be processed.



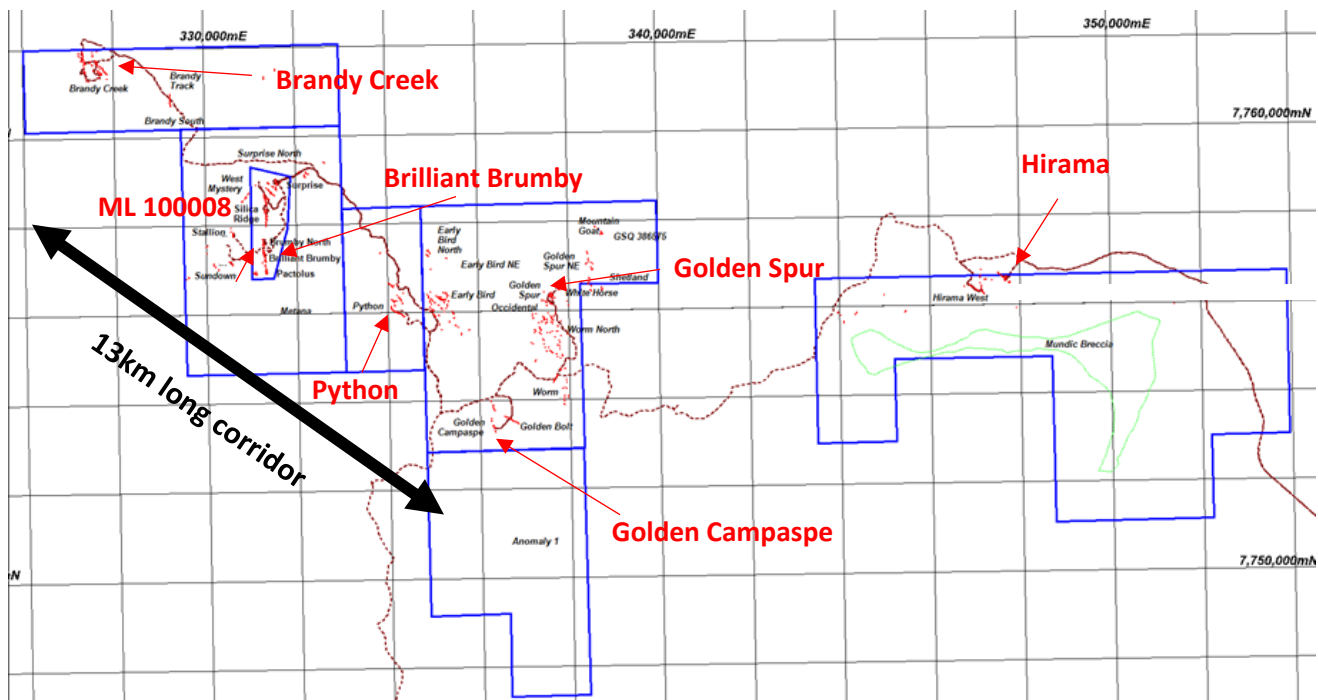
DISTRIBUTION OF GOLD-BEARING QUARTZ LODES

The distribution of gold-bearing quartz lodes that have been discovered across the licence area suggests that the project that is rapidly growing in scale. The data which results from the Company's exploration work goes into a geographic information system (GIS) where the software supports decision-making throughout the entire mining life curve allowing access to data, smart maps, planning, mine operations etc. Smart maps provide a clear representation of this data which has allowed IGM's geologists to be able to highlight an important trending corridor.



Targeted quartz lodes that hold the gold are quite visible and easy to follow via open cut

Exploration data which has been accumulated at the Brilliant Brumby Project from painstaking work has highlighted the growing real possibility that the gold-bearing quartz lodes lie over a 13km long WNW trending corridor. These lodes occur within structurally controlled clusters which are typically 1-2km long and 0.5-1km wide from Brandy Creek through Brilliant Brumby and Python to Golden Spur and Golden Campaspe in the south east.



Distribution of quartz lodes along the 13km long corridor & elsewhere in the project area

In addition, masked under thin cover sediments to the NW, there are possible extensions of two of these clusters. Plus, more quartz lodes have also been discovered towards the east in the Hirma area. There is no doubt that the maps generated from this database show a strong correlation between the quartz lode distribution and results of stream sediment analysis. The ongoing geological mapping continues to locate additional lodes with numerous stream sediment gold anomalies which need to be followed up. Currently, only 7% of the project area has been mapped in detail which speaks volume about the potential.

RAPIDLY GROWING POTENTIAL

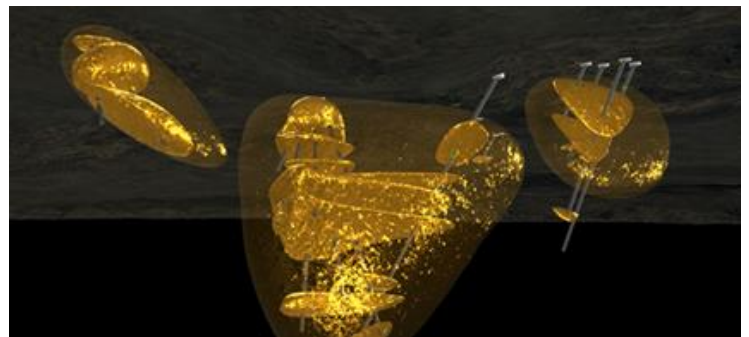
NE Queensland represents one of the richest gold areas in Australia. Initial discoveries in the 1850's have led to the identification of widespread occurrences of economic gold across this a region resulting in the generation multi-million-ounce gold mining projects. The potential of many of these mega-mines was often not recognised until long after the initial discovery and so the re-evaluation of historic mining areas provides a tremendous opportunity for astute exploration companies like IGM to add value. Work by the Company across just a small part of the overall licence area is beginning to highlight the sizeable potential scale of this project based on the following key factors.

13km long corridor – Analysis of exploration data has clearly shown that these clusters of Devonian mesothermal narrow vein quartz lodes that host the gold mineralisation are known over a 13km long corridor. IGM's geologists had already recognised that these gold-bearing quartz lodes occur within structurally controlled clusters which are typically 0.5-1km wide, which suggests serious potential scale even though over 90% of the licence area remains unmapped in detail.

Mineralisation at depth – Analysis of the veins and lodes discovered in this high-grade gold system has revealed en-echelon (closely spaced, parallel/subparallel, overlapping or step-like minor structures) characteristics within quartz. This style of the vein deposits varies with increasing depth below the paleosurface (which is the surface of the earth as it was in prehistoric times before being eroded over the ages). The presence of en-echelon tension veins and some irregular stockwork veins as seen at Silica Ridge and Brumby North compares to more linear, through-going veins at Brilliant Brumby and Surprise, which all shows that the project lies near the boundary between the brittle deformation domain and the brittle-ductile transition zone. Basically, the brittle-ductile transition zone is the strongest part of the earth's crust and at this depth rock becomes less likely to fracture but tends to deform in a ductile manner. The project's position near such a boundary is very important as it suggests the potential for more focused and continuous mineralisation at depth.

Charters Towers style gold mineralisation – Virtually all the gold has been found in the quartz, most is fine grained plus some coarser gold, which is sometimes associated with minor disseminated galena-sphalerite/pyrite. Sericitic alteration lodes which host the quartz veins contain around 0.1 g/t Au and have minor weakly disseminated pyrite. In addition, the quartz normally displays mesothermal textures; and the gold bearing lodes are mostly N to NW oriented and exhibit an en-echelon relationship with one another. This all reads like textbook Charters Towers-style gold mineralisation.

Brandy Creek - Highly encouraging early drilling results at Brandy Creek are fast suggesting that this is an important additional new area and so a mining licence is being fast tracked. The initial drilling of the 21 holes has been sufficient to discover that Brandy Creek contains similar mineralisation to that seen at the prominent 2km Brilliant Brumby line. The gold mineralisation at Brandy Creek is complex but resolving the complicated vein and high-grade gold patterns could provide an improved understanding and allow the potential to be unlocked.



Brandy Creek gold mineralisation - preliminary model

Connecting at depth – Rather than being a number of separate clusters, there is a growing real possibility emerging that these clusters could connect underground – although this has yet to be proved. The powerful combination of proven presence of Charters Towers style high-grade gold mineralisation plus the more focused and continuous gold mineralisation at depth; together with structurally controlled structures 0.5 -1km wide that lie along a 13km corridor does provide a glimpse of the potential large scale of the project which could be revealed in the future. Drilling of several high-priority targets is now planned to increase resources which could also begin to confirm if these separate zones of gold bearing quartz lodes may join up at depth.

JORC-Resource - Work is planned towards a JORC compliant resource from both ML 100008 and Brandy Creek which would allow an increasing valuation to be placed on the project by mining analysts using peer group comparisons. However, major mining companies that might be increasingly keeping an eye on the Brilliant Brumby Project maybe more interested in seeing really compelling intersections and grades along with evidence of continuity over a wide area; as they often prefer to undertake the more detailed drilling on a tighter matrix to delineate a resource themselves.

TRUE SIZE OF THE PRIZE BECOMING APPARENT

Successful junior miner IGM continues to discover high-grade gold intersections across its vast licence area. So far, virtually all the gold has been discovered in quartz lodes with clusters of decent gold assays have now been found to lie along a 13km corridor. There is rapidly growing scale as well as the potential for high-grade gold, as this series of discoveries is fast suggesting the basis for establishing viable mining operations based on the gold veins of the Mt Stewart region. A lot of the early successes stemmed from following up on historic gold working, where high-grade gold was known to be mined in the past. Deposits anywhere above 2g/t gold are rare these days with the average grade of producing deposits around the world around the 1g/t mark, as increasingly higher-grade gold deposits are becoming mined out.

Investors may be beginning to get a glimpse of the potential true size of the prize at the Brilliant Brumby Project. Truth is that the more that IGM explore, the more gold that seems to be discovered. The next round of drilling will not only target gaining an improved understanding of the potential of Brandy Creek but also being to test the growing possibility that all these identified isolated gold targets may connect underground.

Good progress is being made at the mining and processing in ML 100008 with the production of a high-grade concentrate as well as free gold. This pilot plant allows the Company to gain early cashflow and optimise recoveries of the processing circuit. Results so far seem to demonstrate that mineral processing of the ore is relatively straight forward as a decent yield can be achieved using gravity separation. Together with open pit mining, all of which undeniably seems to point towards lower quartile operating costs. The combination of a potentially large scale near surface deposit, high grade gold and relatively straight forward mineral processing could well suggest a Tier 1 gold asset moving ahead.

The story seems to be getting better by the minute. The most compelling discovery has been the 2km long Brilliant Brumby Line, but now some similar characteristics have been witnessed at Brandy Creek. The recent publication of the Baseline Environmental Report suggests that there were no barriers to hold up IGM's mining licence application for Brandy Creek where the plan is to mine selectively the gold-bearing shallow quartz veins.

At the same time, further drilling is planned at Brandy Creek which is expected to be focused on defining an expanding JORC-compliant resource, which is in addition to such a resource being established at Brilliant Brumby ML 100008. A growing total JORC-compliant resource figure for the entire project would allow an increasing valuation to be placed on the Company. Over recent decades major mining companies have become increasingly dependent on juniors like IGM for their projects of the future. Moving ahead it is likely that the Company will increasingly appear on the radar of the majors.

About the author

Dr Michael Green is an independent analyst who specialising in growth companies and resources companies. He gained a BSc Honours degree in Mining Engineering from Nottingham University, UK and PhD for a thesis that looked at the economic analysis of mining projects. Having been involved in consultancy work, Michael began working in the City in the 1980s as a Mining 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. He has specialised in analysing companies in the resources sector providing research for mining companies, stockbrokers, corporate finance houses, advisers and independent research firms. Between 2008 – 2011, he was a Non-Executive Director of Ascot Mining PLC, a quoted Central American gold mining company. In addition, he has worked closely with resources companies assisting in IR.

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