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Mining high grade gold plus drilling to define a JORC' resource at one of the biggest gold discoveries of recent years

Charters Towers style high grade gold. InterGroup Mining's (IGM) project lies within the Charters Towers Gold Province in Queensland, Australia. This gold province has seen more than 20 million ounces of high grade gold mined from mines like Charters Towers, Pajingo-Vera Nancy, Ravenswood and Mount Wright. IMG's project has wide spread surface mineralisation with grades up to 176g/t which continue down hole. Extensive exploration has confirmed Charters Towers style gold with its legendary high grade and deep structures known for holding substantial amounts of gold ore.

Expanding gold mining in progress. Mining began in December 2017. The rock breaks up quite easily due to weathering, with an excavator able to mine to a depth of 10m. Future mining is planned by a series of shallow open pit gold mines feeding a central mill. 3D modelling of exploration results has led geologists to identify a growing number of these shallow gold mining targets to a depth of 120m. Today, most of these targets are at Brilliant Brumby along a 2-kilometre trend where gold mineralisation remains open at depth and along strike, but this is changing fast following recent discoveries helped by a new road improving access.

Simple low-cost mineral processing. Initially a contract miner has been engaged to mine and process the ore to gold dore on site. Modular mobile equipment with nameplate capacity is expected to become operational. Costs are expected to be low as this material lies on the surface and the gold ore can be quite easily treated using gravity separation. Given the grades, the project should be increasingly cash generative.

Exploration results point to a far larger structure. Veins of such mesothermal plays are known for their large size and continuation to depth. The Mundic Breccia is much bigger than the one that hosts the 3-5Moz Mt Leyshon and Kidstone gold mines. Plus, gold veins highly characteristic of the Mt Stewart region have been found at Brandy Creek. Whilst, the 3km zone of alteration at High Ridge could well be the main channelway for gold deposition. Rather than being isolated targets, all these gold targets could be connected up underground, but this has not yet been proven

World class project in the making. IGM's project represents potentially one of the biggest gold discoveries of recent years. The average gold grade mined globally today is just 1g/t, whilst historic mines in the project area produced at grades of 51g/t and 26g/t. These are just the sort of grades that have shown up in exploration work. Over the years large mining companies have become reliant on the juniors for their projects of the future. Given the scale of this highgrade mineralisation, IMG should be starting to get on the radar of strong financial partners that could really optimise the potential here for the benefit of all IGM shareholders.

*More than 20
million ounces of
gold mined*

*200+ km² project
area*

*Major source of
world gold
production*

INTRODUCTION

InterGroup Mining (IGM) has a major gold exploration project in Northern Queensland lying in an underexplored gold district within the Charters Towers Gold Province. The project is located 250 kilometres south west from the major seaport Townsville, to the west of Charters Towers and 20 kilometres north of the township of Pentland.

The Charters Towers Gold Province has produced 20+ million ounces of gold from: mines in the Charters Towers area (7.1Moz), Pajingo-Vera Nancy (3.8Moz), Ravenswood (3.1Moz), Mount Wright (1Moz), Mount Leyshon (3.5Moz), Mt Carlton (1.4Moz) and Wirrelie (1Moz).

IGM's project consists of a mining lease (ML 100008 - 179.6 hectares), and four Exploration Permits for Minerals (EPM) totalling more than 200km² of highly prospective ground. These are Brilliant Brumby (EPM 18419 - 42km²), Spear (EPM 25299 - 84km²), Oaky Creek (EPM 25431 - 39km²) and Colts (EPM 25431 - 42km²).

Exploration efforts have been mainly focused on two areas called Brilliant Brumby and The Worm in EPM 18419, where the mining lease was granted.

GEOLOGY & MINERALISATION

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.

The project lies within an early Palaeozoic Igneous Belt, with widespread mineral shows of gold alongside lesser shows of base metals mineralisation. Underlain largely by granitoids of the Lolworth Igneous Complex (Upper Silurian to Lower Devonian in age) which is probably a postorogenic batholith (large igneous intrusion formed after the period of mountain forming) consisting mostly of massive biotite adamellite and grandiorite. Lolworth granite has the potential for small to medium sized mesothermal vein deposits, formed by hydrothermal fluids rising up through the earth's crust and are seen to be a major source of world gold production.

The Mundic Igneous intrudes into the Lolworth Complex in the NE corner of the EPMs. This complex consists of a group of subvolcanic stocks, bosses, dykes and minor volcanics which are likely to be the source of gold and minor base metal mineralisation at Mt. Stewart and Lolworth to the north. Both Lolworth and Mundic Igneous Complexes are covered by the Tertiary Campaspe Beds of unconsolidated material. Fossil alluvial gold found near the base of the Campaspe Beds in the Deep Lead at the Cape River Goldfield in nearby Pentland show these outcrops could be prospective gold targets.

Brilliant Brumby ML 100008 contains the historic gold mines at Brilliant Brumby and Surprise. The mining licence is largely underlain by Early Devonian Amarra Granite which is locally porphyritic. Faulting, jointing and emplacement of pegmatites followed. Also present are Andesitic to rhyolitic dykes 1-2 metres wide seemingly of Permo-Carboniferous age. Gold mineralisation occurs in mesothermal quartz veins with associates sericite-chlorite alteration selvages (lode), along with the gold in the quartz are trace to minor levels of lead, zinc and iron sulphides. The bulk of gold production in the Brilliant Brumby and Surprise historic mines seems to have come from the longitudinal quartz reefs which geologists suggest are the areas where hydrothermal fluid flow was highest during mineralisation.

176g/t gold

*Over 4,600m of
drilling*

2km long trend

*Mining began in
December 2017*

EXPLORATION

Extensive research and exploration has been carried out on the site since 2010. In addition, the team has benefited from more than 30 years' worth of exploration data which has allowed exploration to be targeted at the most prospective areas which includes a number of historic gold mines.

The company has carried out comprehensive rock chip, stream sediment and soil sampling over the project area to establish the extent and quality of the mineralisation. High grade gold has been discovered which includes: 176g/t, 95.7g/t and 82.2 g/t gold at Brilliant Brumby along with a number of samples in excess of 20g/t gold. In all, 4,633 meters of drilling has been completed which has been able to confirm that the widespread surface mineralization continues down hole with high grade drill samples up to 74.1 g/t gold. Following this work, geologists believe that there are two conclusive targets: high grade narrow veins along with the increasing possibility for an intrusive driven bulk target.

The compelling highlights of the project include the potential for a major discovery, characterised by surface mineralisation, which allows low cost production and accelerated lead times. A close review of the outcropping geology and geochemical assay results originally narrowed the focus area to a selection of anomalous locations in two areas referred to as Brilliant Brumby and The Worm. A trend in the mineralisation, of a combined strike length of more than 2km has been identified at Brilliant Brumby and a potential 1km plus strike length at The Worm. Subsequently, more and more anomalous locations across a far wider area in the four EPMs have been discovered from the ongoing exploration program.

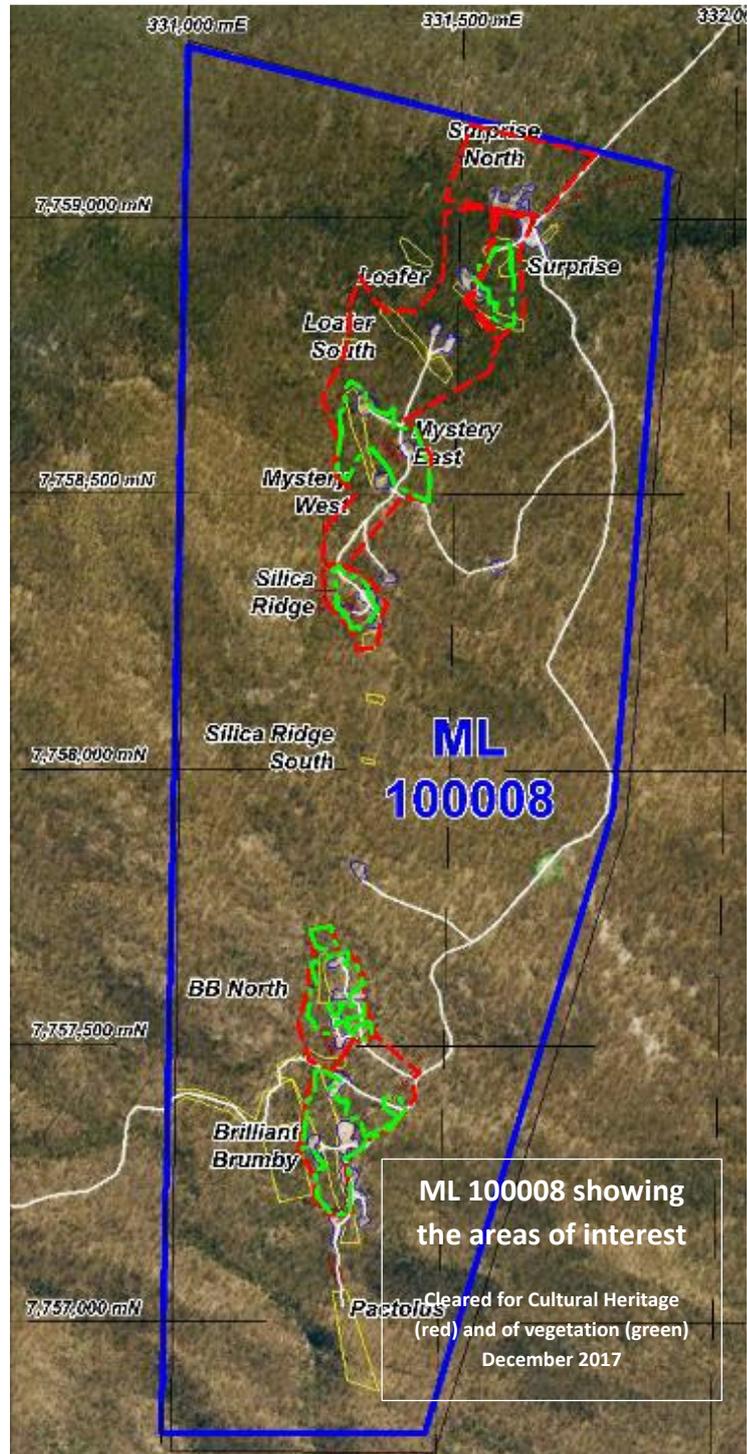
MINING

The Mining Lease ML 100008 was granted in October 2016, which runs for eight years but is extendable for the Life of Mine. ML 100008 covers an area of 179.6 hectares (1.796km²) and has put the company in a strong position. Whilst waiting for the ML to be granted, Cultural Heritage clearance of the new access road was completed by representatives of the Gudjula People which allowed earthmoving equipment to come on site and begin road clearing and construction in June 2017.

The gold is contained in quartz veins within steeply dipping sericitic hydrothermal alteration lodes. Both the veins and lodes display an echelon (closely-spaced, parallel/subparallel, overlapping or step-like minor structures) pattern with quartz often orientated at strongly oblique orientations to the strike. After extensive clearance of vegetation, the lodes became hidden under soil and debris which required cross trenching to relocate the echelon mineralisation. A total of 26 trenches (for a total of 378m) were excavated to a depth of 1-2m which established the width of the alteration zones and the quartz veins to select material for mining.

In December 2017, mining began at ML 100008. Apart from extensive work being carried out to expose the gold bearing quartz, ore has been stockpiled for processing and drill pads prepared. Following on from the trenching, a 1,000t bulk sample of gold mineralisation was extracted from ML 100008 which will be used to provide vital data from metallurgical tests to determine the mineral processing equipment requirements and the necessary gold processing flow sheet (crusher, shaking table, concentrator, flotation etc) in order to optimise the level of gold recovery.

179.6 hectare
mining lease



Although this is hard rock, it was found to break up quite easily due to weathering. An excavator was able to mine down to 5m deep and probably 10m is possible. The 1,000t bulk sample was mined in two days. Current stockpiled material ranges in grade from 3g/t gold to one ounce (31g/t) per tonne and is representative of the grade along the 2km strike length. Selective mining of the veins would result in high grade gold ore.

Future mining seems to be planned as a series of shallow open pit gold mines feeding a central mill. Ahead of the latest flurry of exploration work, 3D modelling of exploration results has led geologists to identify a series of shallow open pit gold mining targets to a depth of 120 metres. Most of these projects are at Brilliant Brumby along this 2km trend where gold mineralisation remains open at depth and along strike. But, this is changing fast as recent discoveries have identified more highly prospective areas within the EPMs that have become accessible thanks to the new road.

Mobile processing plant

MINERAL PROCESSING

Moving ahead the team is exploring three options for mineral processing. Firstly, trucking the ore to a nearby gold mine to produce gold dore which is seen as an interim step. Technical personnel from the Minjar Gold Pty Ltd which owns the Pajingo Mine have visited the site seeking additional ore sources for their underutilised treatment plant which is only 80km away along good roads. Transportation costs are estimated at \$30 per tonne, which is easily affordable given the value of this gold ore per tonne. Secondly, crushing ore and producing a gold concentrate on site for later shipment to a nearby mine to produce gold dore. Thirdly, establishing full production facilities on site.

Initially the plan is to bring in a mining and processing contractor with modular mobile equipment to process the gold ore to gold dore on site. Excellent results came from metallurgical test work to determine the mineral processing circuit that will maximise gold recovery. Costs are expected to be low as this material lies on the surface and the gold ore can be quite easily treated using simple gravity separation. The lump gold actually lies within fractures in the rock and so is released quite easily, but then more grinding will be required to liberate the fine gold.

MANAGEMENT

Walter Doyle – Chief Executive Officer

Walter has more than 30 years' experience of mining and resources projects in Australia. The Doyle family has three generations of mining history participating in the discovery of several large resources properties, including the initial discovery of the Century Mine, one of Australia's primary silver/lead deposits. Walter is a venture capitalist specialising in worldwide equity markets with a wealth of contacts in North America and London. He was behind the resurrection of Sirius Minerals (AIM:SSX) which was turned from being a shell to be capitalised at over £1 billion.

Brian Stockbridge – Non-Executive Chairman

Brian is an investment banker based in London who has held senior positions in well-respected City firms such as Grant Thornton, Noble & Company, Allenby Capital and Zeus Capital. As a regulator for the Panel of Takeovers & Mergers, he was the primary case officer for over 150 transactions valued up to and over £1 billion.

Stephen White – Director

Stephen is an investment banker specialising in start-ups and growth companies. Over the last 30 years, he has been involved in a variety of industries including mining where he has wide experience in exploration projects including: gold, base metals, uranium, potash, phosphate and oil & gas. He has been on the board of twenty-five start-ups and the MD/CEO of thirteen of them. Stephen has also provided corporate development advice to many North American and UK based public companies and significant experience in M&A in worldwide equity markets.

POTENTIAL SCALE OF GOLD MINERALISATION

Work on the ground has shown that the gold mineralisation is mesothermal, and these sorts of veins are known for their size and continuation to depth and are a major source of world gold production. Certainly, historic production at the Brilliant Brumby and Surprise Mines was from longitudinal quartz reefs which probably represent areas where the hydrothermal fluid flow was highest during mineralisation.

Extensive geological reconnaissance within and beyond the Brilliant Brumby ML 100008 is continuing to generate more and more expansion opportunities in not just the Brilliant Brumby EPM 18419 but also the other three EPMS. Below we list a number of the recent highlights to illustrate the growing size of the area with high grade gold potential.

Oaky Creek (EPM 26366) – This represents a compelling prospect with good untested gold potential target for gold associated with a large breccia-porphyry complex, 18km east of the Brilliant Brumby Mining Lease. The Mundic Breccia has exciting potential as recently available geological maps show this feature extending over 5km², which is substantially larger in size than the breccia which hosts the 3-5 million ounce Mt Leyshon and Kidstone gold mines.

Brandy Creek (EPM 25299) – This could be the location of IGM's next mining licence application as this area is showing gold veins that are highly characteristic of the Mt Stewart region. Just a short distance away from ML 100008 lies the historic Brandy Creek Mine which worked mesothermal gold mineralisation hosted within typically steeply dipping 10-30cm wide quartz veins. Government reports from 1932 – 35 show a total 83.5t of ore being treated for 137.4 ounces, which suggests a grade of 51g/t gold.

Brilliant Brumby (EPM 18419) - It is only now that the road has gone in that geologists are able to get to some highly prospective areas like High Ridge which is 5km away from the Brilliant Brumby ML 100008. Here, recent mapping seems to show a 3km N-S zone of alteration which is fast being seen as the main channelway by which gold has been deposited in the brittle zones off the main fracture. By and large in these types of structures, the best gold often drops out in the complex fracture array at the end of major mineralised faults in places where the best fluid flow occurred. The highest grades at Golden Spur seem to fit this concept and such zones can have considerable vertical extent.

Interestingly enough, High Ridge has been shown to be more complex with high grade gold, similar grades of silver, lead (0.1-1%) and zinc (0.1-0.7%), which serves to indicate that there is substance underneath the ground. Out of around 80 samples taken, 5 had shown in excess of 20g/t gold including with the two best being 58.6g/t and 50.9g/t gold. Reverse circulation drilling has been recommended to investigate the potential for near surface gold and high-grade ore shoots particularly at Golden Spur, Occidental and White Horse.

This still leaves The Worm, which was one of the original targets where the team reportedly used metal detectors to find the gold nuggets. IGM's geologists are fast realising the real possibility that all these gold ore bodies may not be isolated targets. Instead, it could be that all these gold ore bodies are connected up in some way underground and the project may host a large intrusive bulk driven target.

*5km² Mundic
Breccia*

*51g/t gold at
Brandy Creek mine*

*3km zone of
alteration*

*Substance
underneath the
ground*

*One of the biggest
gold discoveries of
recent years*

WORLD CLASS GOLD PROJECT IN THE MAKING

Impressive grades of up to 176g/t gold have been found in IGM's exploration which has revealed Charters Towers style gold mineralisation, which is well known for being high grade with deep structures that hold a substantial amount of gold ore. Within the company's EPM are old mines with exceptional gold grades. The historic Brandy Creek and Brilliant Brumby & Surprise Mines produced gold at grades of 51g/t and 26g/t respectively in the past. Which compares favourably to the 34g/t at mines in the Charters Towers area.

Such gold grades are substantially above the 1g/t which is the average mined around the world these days. Exploration work is providing plenty of evidence of the large-scale of this project which coupled with the high grades could make this one of the biggest gold discoveries of recent years. Further drilling is planned to expand the known gold mineralisation towards defining a JORC-compliant resource that could demonstrate that this a world-class project and allow an informed valuation to be placed on the project by analysts. This is a sound policy with cash flow from mining funding exploration without dilution for shareholders.

The economics should be robust given the combination of high grade gold, low cost open pit mines and fairly straight forward processing. Past and current mining of Charters Towers style high grade gold mineralisation means that economics of mining such gold ore are well understood, with such mines seen to be strongly economic at much lower gold prices. Over recent decades the majors have become reliant on juniors like IGM to provide them with their future projects. Given the opportunity that the company is fast proving up, IGM is likely to be increasingly attracting the attention of financially strong partners that could optimise the potential benefit to shareholders.

About the author

Dr Michael Green is an independent analyst who 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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