



Dr Michael Green
Independent Mining Analyst

DOC Investments Limited,
Kemp House,
152 City Road,
London EC1V 2NX

doc@docinvest.co.uk



Key information

Market: Private/pre-IPO
Sector: Mining

This report describes developments at Brandy Creek, part of InterGroup's Brumby Project.

Business

Gold mining and exploration in Queensland, Australia. The Company 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.

The biggest discoveries over the larger project area made ahead of the 2018 drilling programme were along the prominent 2km Brilliant Brumby line. Brandy Creek is located just 5km away which is seen to contain similar mineralisation.

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Brandy Creek

Mining licence application proceeding for this important new area which is increasing the scale of the Brumby Project

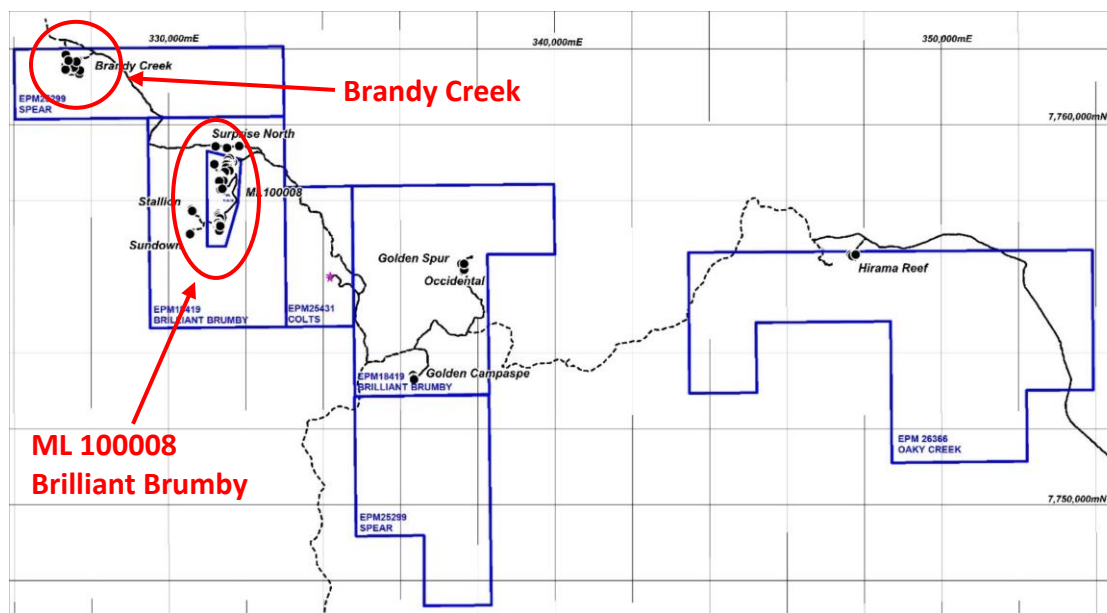
- ❖ **High-grade gold project with rapidly growing potential.** InterGroup Mining's (IGM) Brumby Project lies in the Charters Towers Gold Province in Queensland, Australia, where 20Moz plus has been mined. Such mesothermal gold mineralisation is well-known for holding large amounts of gold ore. IGM's best discoveries have been along the 2km Brilliant Brumby line where initial exploration has been centred on two historic mines with exceptional gold grades. Exploration/drilling has just begun at Brandy Creek, which is the site of an historic mine where gold production averaged 51g/t.
- ❖ **An important new area in addition to Brilliant Brumby.** The 2018 drilling programme saw the Company drill Brandy Creek for the first time to investigate the extent of the mapped historic workings and mineralised quartz veins. Drilling has led to the discovery of impressive grades, one sample as high as 47g/t gold, which is close to the grades that were mined there in the past. Importantly, drilling has also confirmed gold in quartz-vein mesothermal mineralisation, and that near surface gold extends at depth. Big similarities have been noted between Brandy Creek and the Brilliant Brumby line, and so further exploration could be well rewarded.
- ❖ **Already 20,000oz of gold has been delineated.** Preliminary modelling of the mineralised zones at Brandy Creek has already led to the delineation of almost 1million tonnes (Mt) of gold ore with a highly variable grade averaging 0.7g/t for approximately 20,000 ounces, following the initial drilling. There are a series of high-priority drill targets which are designed to further test high-grade gold historic workings, with the goal of considerably expanding the resource.
- ❖ **Mining licence now being fast tracked.** The completion of a favourable Baseline Environmental Report suggests that there are no barriers to hold up a mining licence application for Brandy Creek. The plan is to develop this exciting additional area in much the same way as Brilliant Brumby ML 100008 with the focus being on early stage mining and cash flow generation in order to limit dilution for shareholders. Selective mining is planned to target the quartz veins with the gold ore being trucked 5km to the Brilliant Brumby processing plant, where current capacity is being expanded.
- ❖ **True potential size of the prize starting to become apparent.** More gold continues to be discovered at this underexplored project. Such high-grade near-surface gold mineralisation suggests low-cost cost gold ore from open pit mining. Mineral processing in ML 100008 is quite straightforward using gravity separation. All of this seems to point towards lower quartile costs and a potentially Tier-1 gold asset in the making. Moving ahead, the Company could well attract the attention of the majors which have over the years become increasingly reliant on juniors like IGM for their future projects.

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INTRODUCTION

IGM's 100%-owned Brumby Project is a major gold exploration and mining project in Northern Queensland, which lies approximately 250km inland from the seaport of Townsville. The project seems to be growing rapidly in both scale and potential following the recent successful exploration and drilling programmes. There is little doubt that the Brumby Project has a great address for gold mining as it is located in an under-explored area of the famous Charters Towers Gold Province, which hosts a number of legendary large high-grade gold mines.

In all, more than 20 million ounces (Moz) of gold has been mined in the Charters Towers Gold Province from: mines in the Charters Towers area (7.1Moz), Pajingo-Vera Nancy (3.8Moz) and Ravenswood (operated by Resolute Mining which has produced 4Moz so far and is still in production), Mount Wright (also operated by Resolute Mining and closed in 2018 after mining more than 1Moz of high-grade ore during its lifetime), Mount Leyshon (3.5Moz), Mt Carlton (1.4Moz) and Wirrelie (1Moz).



Location of Brandy Creek, ML 100008 and other areas drilled in 2018 at the Brumby Project

The project consists of the primary Brilliant Brumby mining lease (ML 100008 - 179.6 hectares), plus four Exploration Permits for Minerals (EPM) covering more than 100km² of highly prospective ground. Importantly, the project area contains a number of historical mines with exceptional gold grades including Brilliant Brumby, Surprise and Brandy Creek.

GEOLOGY

The project lies within an early Palaeozoic Igneous Belt, with widespread mineral shows of gold alongside lesser shows of base metals mineralisation. These rocks are largely underlain by granitoids of the Lolworth Igneous Complex (Upper Silurian-Lower Devonian in age) which is probably a postorogenic batholith (large igneous intrusion formed after the mountain building period) consisting mainly of massive biotite adamellite/grandiorite.

The geology of the project area is dominated by granites. Lolworth granite has the potential for small-medium sized mesothermal vein deposits, formed by hot hydrothermal fluids moving up through the strata as the surrounding rocks were uplifted from deep within the earth's crust. Mesothermal deposits represent a major source of world gold production.

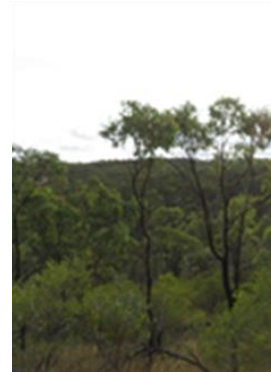
Exploration work at Brandy Creek by IGM has revealed that the gold is found in mesothermal quartz veins in Devonian granites (circa 380Ma). These veins occur in narrow irregular en-echelon lodes of granite hydrothermally altered to sericite which is a fine-grained mica and a common alteration mineral. En-echelon lodes (vein like structure which is a fissure in consolidated rock filled by mineralisation) are characterised by being closely spaced, parallel/subparallel, overlapping or step-like minor structures within quartz due to tension fractures.

HISTORIC MINING

IGM is seeking to establish viable gold operations based on the gold veins that characterise the Mt Stewart region. Gold was not discovered here until the 1930s, which led to the Mt Stewart gold rush. Gold discoveries came late in this area due to the rugged terrain and the widespread presence of barren quartz float derived from pegmatite (coarsely crystalline igneous rock with crystals several centimetres in length) dykes which would have served to discourage early prospectors.

The Company'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.

Within Spear EPM 25299 lies the Brandy Creek historical mine which was actually the site of the first recorded gold on the Lolworth Range in the 1930s. Old records reveal that historic high-grade gold production was recorded here intermittently from 1932 to 1936.



Historic mine workings at Brandy Creek

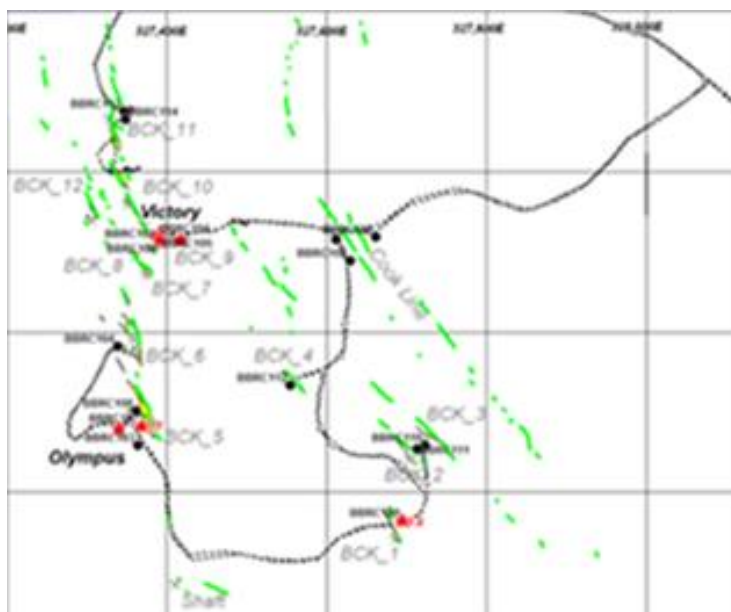
Topography

Government reports from this period concerning Brandy Creek mention that 83.5t of ore was treated for 137.4 ounces, suggesting exceptional gold grades possibly averaging as high as 51g/t. Such a grade is more than 50% higher than that mined in Charters Towers, which is popularly heralded as being one of Australia's richest gold mines producing over 7Moz at 34g/t during its life.

REVIEW OF DRILLING RESULTS

Exploration rock chip samples by IGM (2018) delineated high gold values on the NW workings at Brandy Creek with 10 samples over a 130m strike length including gold assays running at 11.5g/t and 12.75g/t; and averaging around 7g/t. Other results included 15.25g/t and 4.3g/t in the south eastern group. Such results encouraged the initial drilling of this area.

The 2018 drilling programme saw 148 Reverse Circulation (RC) holes drilled for 11,130m. The Company only recently constructed an access road into Brandy Creek which allowed for the first drilling of this area. A total 21 holes were drilled in this new area for 2,203.5m which targeted the investigation of the extent of the mapped historical workings and mineralised quartz veins.



Location of prospects drilled at Brandy Creek in the 2018 drilling programme, with lodes (green) and old mine names (black)

RC Hole	Intersections	RC Hole	Intersections
BBRC100	1m @ 0.9g/t Au from 22m	BBRC164	2m@ 1.73g/t Au from 55m
BBRC103	1m @ 11.4g/t Au, 20.4g/t Ag from 8m 2m@ 2.09g/t Au from 20m 2m @ 1.55g/t Au from 88m		1m @ 1.03g/t Au from 129m 2m @ 0.99g/t Au from 129m
BBRC104	1m @ 1.55g/t Au from 15m 1m @ 1.02g/t Au from 25m 1m @ 1.02g/t Au from 39m 14m @ 2.98g/t Au from 76m (including 2m@ 11.3g/t Au from 86m)	BBRC165	3m @ 3.04g/t Au from 40m (including 1m @ 4.95g/t Au, 0.25% Pb from 40m) 3m @ 3.27g/t Au from 44m (including 1m @ 8.12g/t Au from 45m) 1m @ 1.11g/t Au from 46m
		BBRC166	1m @ 3.66g/t Au from 56m (including 1m @ 6.15g/t from 57m)
BBRC105	12m @ 2.60g/t Au from 29m (including 3m @ 5.4g/t Au from 37m)	BBRC167	4m @ 19.99g/t Au, 0.23% Pb from 80m (including 1m @ 47.00g/t Au, 31.1g/t Ag, 0.71% Pb, 0.3% Zn from 81m and 1m @ 24.5g/t Au, 9.3g/t Ag, 0.13% Pb from 82m) 1m @ 2.54g/t Au from 94m 7m @ 1.55g/t Au from 116m 1m@ 4.81g/t Au from 119m 1m @ 1.83g/t Au from 131m 1m @ 1.15g/t Au from 181m
BBRC106	1m @ 6.17g/t Au from 9m 2m @ 2.38g/t Au from 31m 2m @ 1.29g/t Au from 86m	BBRC168	3m @ 2.35g/t Au from 56m (including 1m @ 7.63g/t Au, 0.18% Pb, 0.2% Zn from 58m).
BBRC107	12m @ 1.08g/t Au from 22m (including 3m @ 2.7g/t Au from 23m)		
BBRC108	1m @ 1.05g/t from 25m		
BBRC109	2m @ 2.83g/t from 18m		
BBRC112	1m @ 1.51g/t from 27m		
BBRC113	1m @ 1.42g/t from 1m		
BBRC114	3m @ 1.02g/t from 10m 5m @ 0.75g/t Au from 17m (including 1m @ 1.07g/t Au from 21m) 1m @ 2.26g/t Au from 57m		

Intersections from the 2018 drilling programme at Brandy Creek

The results represent the first drilling by the Company at Brandy Creek as the team had only just completed the construction of an access road into this highly prospective area. Results made for good reading and there are a number of important points that have clearly emerged from these exploration and drilling results which are highlighted below.

High-grade gold

Just below the 1930s workings at Victory high grade gold was intersected and +5g/t gold was returned at Olympus. Impressive grades, one as high as 47g/t gold have been discovered at Brandy Creek, which are reassuringly close to the average grade historically mined here of 51g/t. Certainly such grades which are far higher than the average grade of gold that is globally mined today of around 1g/t.

Mesothermal

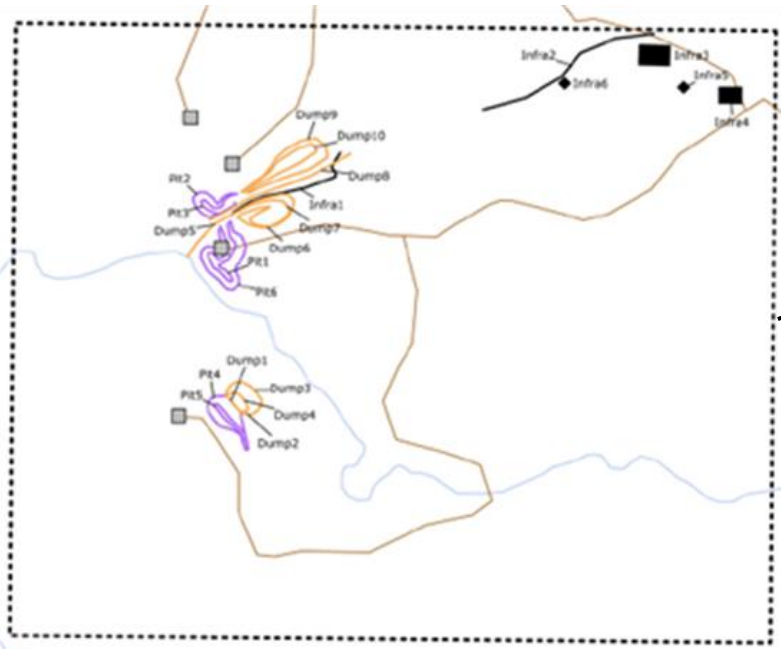
These intersections provided critically important evidence that the Brandy Creek workings mined mesothermal gold mineralisation hosted within typically steeply dipping 10-30cm wide Devonian (c. 380Ma) quartz veins. In addition, there is alteration associated with the mineralised veins which is relatively consistent moderate to strong green sericite-chlorite alteration, which can extend within the host granite for up to several metres from the veins but is generally around one metre wide. These intersections also clearly show that gold mineralisation lodes extend from the surface to depth at Brandy Creek.

Similarities with Brilliant Brumby Line

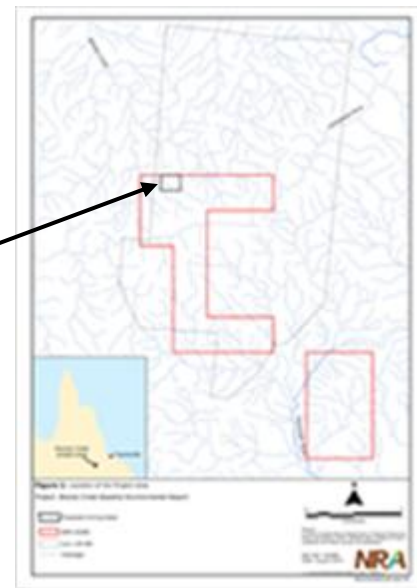
So far, the biggest discoveries at the large area which the Brumby Project covers have been made along a prominent 2km trend called the Brilliant Brumby line. Importantly, this initial drilling has revealed that the mineralisation at the Brandy Creek is similar to that discovered at the Brilliant Brumby historic mine which 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.

MINING LEASE APPLICATION

August 2019 saw the publication of the Brandy Creek Baseline Environmental Report by NRA Environmental Consultants to support an Environmental Authority application for a mining lease (ML). Based on this study and searches completed, NRA suggests there are no barriers to hold up a ML application for small-scale mining targeting free gold in quartz veins on the 80.2-hectare site in EPM 25299. This is good news as it allows a mining licence application to proceed.



Planned activities at the proposed Brandy Creek mining lease and the existing infrastructure



Location of the proposed mining lease within EPM 25299

Planned work on the proposed Brandy Creek mining licence area looks likely to involve the following critical steps:

Mapping

Proposed sites of the mine and waste rock dump sites will be mapped for future rehabilitation. Environmental sampling sites will also be established and the proposed sites for mine infrastructure checked and modified, where necessary. In addition, a Drone Digital Terrain Model (DTM – also known as a bare-earth model) survey will be undertaken over the project areas for geomorphological studies to investigate the origin and evolution of the topography which could provide an invaluable insight.

Delineating resources

Additional drilling is planned, and work will be advanced to prepare drilling pads and access routes. There is also the planned sampling of the existing waste rock dumps. All this work will allow further resources to be delineated. Ahead of mining commencing, the roads and tracks will be upgraded along with clearance of the vegetation around the proposed mining areas.

Mining

Quartz ore from the ground is planned to be mined using an excavator and a 40t Moxy dump truck and possibly a loader. Selective mining is planned to target the quartz veins using trench style mining where possible and benching down as appropriate. The ore will then be transported to the run-of-mine (ROM) stockpile. Plans show that waste will be stockpiled onsite to be used in the future rehabilitation of the site.

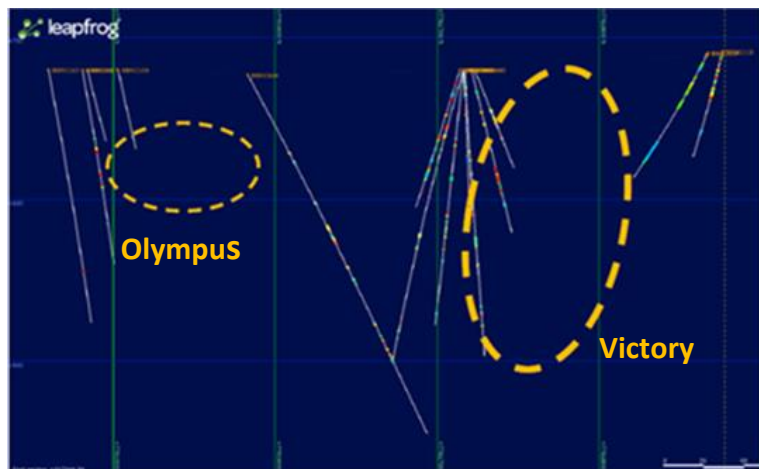
Processing

Once sampled and analysed, the viable ore is to be hauled 5km south to the Brilliant Brumby processing site in ML 100008, south of the project area, where the nameplate processing capacity of the processing plant is planned to be further expanded. The team is also evaluating on-site screening of the ROM ore.

STRATEGY

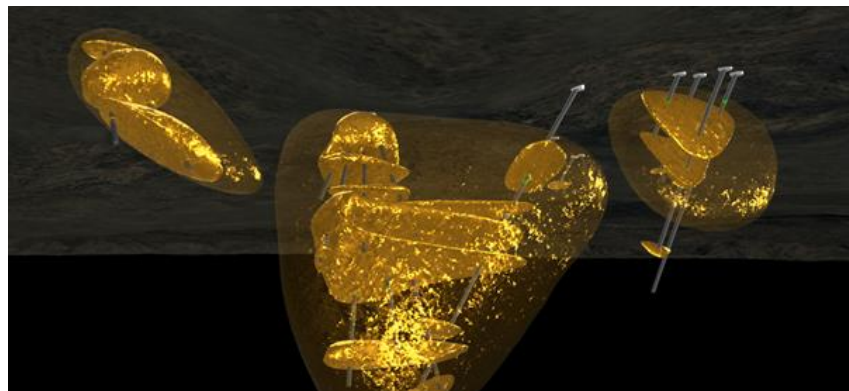
Highly encouraging early drilling results at Brandy Creek are fast suggesting that this is an important additional new area and so a mining licence is being fast tracked. The initial drilling of the 21 holes has been sufficient to discover that Brandy Creek contains similar mineralisation to that seen at the prominent 2km Brilliant Brumby line. During the field work for the Baseline Enviro Study, NRA noted 14 historic workings within the mining lease application area which beg attention.

The gold mineralisation at Brandy Creek is complex. Resolving the complicated vein and high-grade gold patterns could provide an improved understanding and allow the true potential to be unlocked. IGM's geologists have recommended that more accurate surveys of drill collar coordinates could not only help to define high-grade ore shoots, but also help resolve the complex gold mineralisation, which could result in the delineation of substantial resources.



High priority follow-up drilling targets at Brandy Creek longitudinal section looking west, >10% quartz vein (red)

Drilling is the quickest way to add value and there are a number of high-priority follow-up drilling targets. The best exploration results at Brandy Creek came from the NW and so an expanded drilling programme is expected to focus on the adjacent area to the north where the 1930s miners developed a small underground stope and down-plunge from high-grade mineralisation. The possible discovery of a similar sort of trend as the Brilliant Brumby line, could well be on the cards at Brandy Creek.



Brandy Creek gold mineralisation - Preliminary Model

Preliminary modelling of the zones of mineralisation has so far shown that at Brandy Creek there is approaching 1Mt of gold ore with a highly variable grade averaging 0.7g/t for approximately 20,000 ounces. The highest grades were found in the central zone of the NW area where the average has been discovered to run slightly higher at 0.81g/t gold which includes intersections such as 2m @ 36g/t, 1m @ 15g/t and 1m @ 11g/t. As with Brilliant Brumby the separate zones of mineralisation may well join and further drilling/surface sampling programmes at Brandy Creek are planned to define an expanding JORC (Joint Ore Reserves Committee – Australasian code for reporting exploration results) resource.

CONTINUED EXPANSION OF THIS POTENTIALLY MAJOR GOLD PROJECT

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 has already been made in mining near surface gold resources and building up stockpiles to feed a small-scale onsite processing plant within ML 100008. Recent experience indicates that further exploration in this NE Queensland project may well lead to additional gold discoveries.

Highly successful exploration centred around historic high-grade gold mines has produced compelling results not just at Brilliant Brumby ML 100008 but also now at Brandy Creek. This important new area is just beginning to be understood and seems to have the potential to generate a substantial resource.

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. The Company has already confirmed the discovery of high-grade gold from quartz-vein mesothermal Charters Towers style gold mineralisation which has also been discovered at Brandy Creek. This is very important as such structures are well-known for their large size and can hold a substantial amount of gold ore. It could be that all these gold targets are not isolated, but might join up, but that is yet to be proved.

The publication of the Baseline Environmental Report allows IGM to proceed with the mining licence application for Brandy Creek where the plan is to mine selectively the gold-bearing shallow quartz veins. This should allow for early stage gold production and an expanding cash flow to help reduce dilution for shareholders from additional capital requirements. At the same time, further drilling at Brandy Creek is expected to be focused on defining an expanding JORC resource, which is in addition to the 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 IGM by mining analysts.

Such high-grade gold mineralisation near the surface does open the door to low-cost open pit mining. At the same time mineral processing in ML 100008 appears to be fairly straightforward using gravity separation. All of this seems to point towards lower quartile costs and a potentially Tier-1 gold asset in the making. It is for these reasons that moving ahead, the Company could attract the attention of the majors which have over the years have become increasingly reliant on juniors like IGM for their future projects.

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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The following risk factors are considered to be the most significant for potential investors in the Company. However, the risks listed do not necessary comprise all those associated with an investment in the Company:

Gold and precious metal exploration is intrinsically high risk

- The search for precious metal deposits may prove unsuccessful
- Estimation of resources is subject to wide variation
- The Company's resources have not yet been assessed in line with Joint Ore Reserves Committee (JORC) standards.
- The Company may not receive an Environmental Authority for the Brandy Creek project
- Sample yields may not be achieved in production
- Geological factors can make extraction uneconomic
- Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated
- The extraction of minerals is subject to environmental, safety and community risk.
- The market price of precious metals is subject to wide fluctuation

General

- The Company's total return and net assets can be significantly affected by currency movements.
- The Company is likely to face competition from other entities operating in its business sector, many of which have significantly greater resources than the Company.
- Market perception of the Company may change.
- Each prospective investor should view his purchase of equity shares in the Company as a long-term investment and should not consider such purchase unless they are certain they will not have to liquidate their investment for an indefinite period.
- The Company will require funding to refinance its debt and complete its expansion plans. There is no assurance that the Company will be able to obtain such financing, when required, on favourable terms or at all. Any failure by the Company to raise sufficient funding could have a materially adverse impact on the Company.

Exchange and share liquidity

- The Company's shares are not currently quoted on a Recognised Investment Exchange and do not benefit from the protections afforded by such an Exchange.
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