



InterMet Resources Limited

and its Controlled Entities

ABN 66 112 291 960

**Half Year Financial Report**

**31 July 2010**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report is to be read in conjunction with the annual report for the seven months ended 31 January 2010 and any public announcements made by InterMet Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## Directors' Report

The directors present their report together with the financial report of the consolidated entity, being the Company and its controlled entities, for the half-year ended 31 July 2010.

### Principal activities

The principal activities of the consolidated entity have focused on the search for copper-gold-uranium, gold, nickel, base metals and uranium on prospective areas of the Gawler Craton in South Australia and north Queensland.

There were no significant changes in the nature of the consolidated entity's principal activities during the period.

### Review and results of operations

The loss of the consolidated entity for the half-year ended 31 July 2010 was \$2,064,820 (6 months ended 31 July 2009: loss of \$605,262).

### Directors

The following persons were directors of InterMet Resources Limited during the half-year and up to the date of the report:

- D C Brown
- D S Archer (resigned as Director 19 August 2010)
- R L S Middleton
- R C Belz (appointed as Non-Executive Director 19 August 2010).

## Directors' Report (continued)

### Dividends

No dividends have been paid or declared by the Company since the end of the previous financial year.

### Auditors Independence Declaration

The auditors' independence declaration under section 307 of the Corporations Act 2001 is set out on page 4 for the half year ended 31 July 2010.

Dated at Sydney      14 October 2010



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The Hon Dean Brown AO  
*Chairman*



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R L S Middleton  
*Director*

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## Auditor's Independence Declaration

As lead auditor for the review of InterMet Resources Limited for the half-year ended 31 July 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of InterMet Resources Limited and the entities it controlled during the period.



Darren Turner  
Partner  
PricewaterhouseCoopers

Newcastle  
14 October 2010

## Consolidated Income Statements

For the half year ended 31 July 2010

	Half year	
	31 July 2010	31 July 2009
	\$	\$
Revenue	-	-
Accounting, ASIC & audit	(23,022)	(30,288)
Computing & communications	(906)	(87)
Consultants fees	(13,334)	(127,154)
Depreciation	(17,974)	(19,449)
Directors fees	(40,642)	(40,609)
Employee benefits expense	(4,151)	(11,596)
Finance costs	(53,817)	(15,710)
Insurance	-	(541)
Other expenses	(33,136)	(5,635)
Promotion	(2,293)	(17,587)
Public company expenses	(22,645)	(17,215)
Write-off of capitalised tenement expenditure	(1,840,230)	(304,982)
Travel	(12,670)	(14,409)
<b>Loss before income tax expense</b>	<b>(2,064,820)</b>	<b>(605,262)</b>
Income tax expense	-	-
<b>Loss attributable to members of the parent entity</b>	<b>(2,064,820)</b>	<b>(605,262)</b>
<b>Earnings per share :</b>		
Basic loss per share (cents)	(0.041)	(0.012)
Diluted loss per share (cents)	(0.041)	(0.012)

*The consolidated income statements above should be read in conjunction with the accompanying notes.*

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**Consolidated Statements of Comprehensive Income**  
For the half year ended 31 July 2010

	<b>Consolidated Half Year</b>	
	<b>31 July</b>	<b>31 July</b>
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Net loss for the half year</b>	(2,064,820)	(605,262)
Other comprehensive income	-	-
<b>Total comprehensive income for the half year</b>	<u>(2,064,820)</u>	<u>(605,262)</u>

*The consolidated statements of comprehensive income above should be read in conjunction with the accompanying notes.*

## Consolidated Balance Sheets

As at 31 July 2010

	<b>Consolidated</b>	
	<b>31 July 2010</b>	<b>31 January 2010</b>
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	37,228	47,599
<b>Total current assets</b>	37,228	47,599
<b>Non current assets</b>		
Property, plant and equipment	8,370	26,344
Exploration and evaluation expenditure	1,487,778	3,095,571
Other non-current assets	1,979	10,000
<b>Total non current assets</b>	1,498,127	3,131,915
<b>Total assets</b>	1,535,355	3,179,514
<b>Current liabilities</b>		
Trade and other payables	157,205	105,335
Borrowings	1,298,779	929,988
<b>Total current liabilities</b>	1,455,984	1,035,323
<b>Total liabilities</b>	1,455,984	1,035,323
<b>Net Assets</b>	79,371	2,144,191
<b>Equity</b>		
Issued capital	5,981,079	5,981,079
Accumulated losses	(5,901,708)	(3,836,888)
<b>Total equity</b>	79,371	2,144,191

*The consolidated balance sheets above should be read in conjunction with the accompanying notes.*



## Consolidated Statements of Changes in Equity

For the half year ended 31 July 2010

	Issued capital \$	Accumulated losses \$	Reserves \$	Total \$
<b>Half year ended 31 July 2009</b>				
<b>Balance at 1 February 2009</b>	5,981,079	(2,914,816)	-	3,066,263
Loss for the period	-	(605,262)	-	(605,262)
<b>Balance at 31 July 2009</b>	<u>5,981,079</u>	<u>(3,520,078)</u>	-	<u>2,461,001</u>
<b>Half year ended 31 July 2010</b>				
<b>Balance at 1 February 2010</b>	5,981,079	(3,836,888)	-	2,144,191
Loss for the period	-	(2,064,820)	-	(2,064,820)
<b>Balance at 31 July 2010</b>	<u>5,981,079</u>	<u>(5,901,708)</u>	-	<u>79,371</u>

*The consolidated statements of changes in equity above should be read in conjunction with the accompanying notes.*

## Consolidated Cash Flow Statements

For the half year ended 31 July 2010

	Note	Consolidated Half Year	
		31 July 2010 \$	31 July 2009 \$
<b>Cashflow from operating activities</b>			
Payments to suppliers and employees		(178,349)	(215,010)
Finance costs		-	(15,710)
<b>Net cash provided used in operating activities</b>		<b>(178,349)</b>	<b>(230,720)</b>
<b>Cashflow from investing activities</b>			
Exploration expenditure		(200,813)	(145,001)
<b>Net cash provided by used in investing activities</b>		<b>(200,813)</b>	<b>(145,001)</b>
<b>Cashflow from financing activities</b>			
Proceeds from issue of shares	3	-	-
Proceeds from borrowings		368,791	370,000
<b>Net cash provided by financing activities</b>		<b>368,791</b>	<b>370,000</b>
<b>Net decrease in cash held</b>		<b>(10,371)</b>	<b>(5,721)</b>
<b>Cash at the beginning of the period</b>		<b>47,599</b>	<b>20,723</b>
<b>Cash at the end of the period</b>		<b>37,228</b>	<b>15,002</b>

*The consolidated cash flow statements above should be read in conjunction with the accompanying notes.*

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## Notes to the Financial Statements

### For The Half Year Ended 31 July 2010

#### 1. Statement of significant accounting policies

This general purpose financial report for the interim half year reporting period ended 31 July 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by InterMet Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted in the preparation of the financial report are consistent with those of the previous financial year and corresponding interim reporting periods.

This half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### Going concern basis of preparation

The financial statements have been prepared on a going concern basis which is based on the assumption that assets and liabilities are recorded on the basis that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

The consolidated Group is not generating revenue and has experienced operating losses again in the current period as expected during the exploration and evaluation phase of the business. As at 31 July 2010 the consolidated Group had negative working capital of \$1,418,756. This is impacted by the fact that the consolidated Group has an amount payable to the parent company (Hillgrove Resources Limited) of \$1,298,779. The consolidated Group has minimum expenditure commitments of \$150,000 over the 12 months from the reporting date in respect of tenements held.

The controlling shareholder, Hillgrove Resources Limited ("Hillgrove"), have provided an undertaking to support the Group for a period ending upon the earlier of:

- (a) the first anniversary of the date signing of the 31 July 2010 half year financial report; or
- (b) the date upon which each of the following has occurred:
  - (i) Hillgrove is no longer the registered holder of a majority in the number of voting shares in InterMet Resources Limited ("InterMet");
  - (ii) the majority in the number of the board of directors of InterMet are independent of Hillgrove; and
  - (iii) Hillgrove no longer control the day to day operational decision making processes of InterMet.

## Notes to the Financial Statements (continued)

### For The Half Year Ended 31 July 2010

Accordingly, there is uncertainty that Hillgrove's support of the Group as a concern will not extend up to or beyond 12 months from the date of this report.

The continuing viability of the consolidated Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the consolidated Group being successful in:

- (a) Receiving continuing financial support from the current controlling shareholder Hillgrove or securing the ongoing financial support of any controlling entity which may replace Hillgrove up to and beyond the next 12 months; and/or
- (b) possible capital raising to restructure debt obligations and fund project expansion.

As a result of these matters, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. However, the directors believe that the company and Group will be successful in the above matters and have prepared the financial report on a going concern basis.

The directors are also of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report. Accordingly, no adjustments have been made to the financial report to the carrying amounts and classifications of assets and liabilities that might be necessary should the Group not continue as a going concern.

		<b>Consolidated Half Year</b>		
		<b>Note</b>	<b>July 2010</b>	<b>July 2009</b>
			<b>\$</b>	<b>\$</b>
<b>2.</b>	<b>Contributed equity</b>			
	<b>Share capital</b>			
	Issued and paid up capital 50,500,500 shares (31 July 2009: 50,500,500), fully paid			
	<b>Share capital</b>	3	5,981,079	5,981,079
<b>3.</b>	<b>Ordinary shares</b>		<b>Shares</b>	<b>Shares</b>
	Movements during the period			
	Balance as at beginning of the period		50,500,500	50,500,500
	Shares Issued			
	- Nil		-	-
	Balance at end of period		50,500,500	50,500,500

## Notes to the Financial Statements (continued)

### For The Half Year Ended 31 July 2010

#### **4. Dividends**

The company has not paid or declared a dividend since the end of the previous financial year.

#### **5. Contingent liabilities and commitments**

Since the last annual report there has been no material change in any contingent liabilities. The consolidated entities have minimum expenditure commitments on exploration licences as per the terms of the exploration licences. If the minimum expenditure on each licence is not met, part of the licence acreage may have to be relinquished.

#### **6. Segment information**

The consolidated entity operates in the mineral exploration business. Management has determined there to be one operating segment based on the reports reviewed by the Board that are used to make strategic decisions.

#### **7. Events subsequent to the reporting date**

On 30 September 2010, a number of tenements were due for renewal and were allowed to expire. This resulted in a write-off of previously capitalised exploration expenditure of \$1,715,494.

There are no further events to report subsequent to the balance sheet date.

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## Directors' Declaration

In the opinion of the directors of InterMet Resources Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 5 to 12, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 July 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001;and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Sydney      14 October 2010



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The Hon Dean Brown AO  
*Chairman*



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R L S Middleton  
*Director*

## Independent auditor's review report to the members of InterMet Resources Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of InterMet Resources Limited, which comprises the balance sheet as at 31 July 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the InterMet Resources Limited Group (the consolidated entity). The consolidated entity comprises both InterMet Resources Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 July 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of InterMet Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the members of  
InterMet Resources Limited (continued)**

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of the Company for the half-year ended 31 July 2010 included on InterMet Resources Limited's web site. The company's directors are responsible for the integrity of the InterMet Resources Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of InterMet Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 July 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*Emphasis of matter*

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which comments on the potential consequences of the Group not receiving the continuing support of its current and future shareholders. Accordingly, there is a significant uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers



Darren Turner  
Partner

Newcastle  
14 October 2010