INTERIM REPORT

for the half-year ended
31 July 2011

InterMet Resources Limited

and its Controlled Entities

ABN 62 112 291 960

Contents

Directors' Report

The directors present their report together with the financial report of InterMet Resources Limited and its consolidated entities, being the Company and its controlled entities, for the half year ended 31 July 2011.

Directors

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

D C Brown
R D Belz
R L S Middleton

Principal Activities

The principal activities of the consolidated entity have focused on the search for copper-gold and base metals on prospective areas in 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 2011 was $179,080 (6 months ended 31 July 2010: loss of $2,064,820).

Dividends

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

Auditors Independence Declaration

A copy of the auditors independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 3.

This report is made in accordance with a resolution of the directors:

Dated this 10th day of October 2011

The Hon Dean C Brown, AO
Chairman

Mr Russell 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 2011, 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.

D A Turner

Darren Turner
Partner
PricewaterhouseCoopers

Newcastle
10 October 2011

Consolidated Income Statements
For the half year ended 31 July 2011

	Half year	
	2011	**2010**
	$	**$**
Revenue from continuing operations	-	-
Accounting, ASIC & audit	(57,756)	(23,022)
Computing & communications	-	(906)
Consultants fees	(309)	(13,334)
Depreciation	(4,587)	(17,974)
Directors fees	(45,207)	(40,642)
Employee benefits expense	-	(4,151)
Finance costs	(71,221)	(53,817)
Insurance	-	-
Other expenses	-	(33,136)
Promotion	-	(2,293)
Public company expenses	-	(22,645)
Write-off of capitalised tenement expenditure	-	(1,840,230)
Travel	-	(12,670)
Loss before income tax expense	(179,080)	(2,064,820)
Income tax expense	-	-
Loss attributable owners of InterMet Resources Limited	(179,080)	(2,064,820)
Earnings per share for the loss attributable to the ordinary equity holders of the company:		
Basic loss per share (cents)	(0.004)	(0.041)
Diluted loss per share (cents)	(0.004)	(0.041)

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

Statements of Comprehensive Income
For the half year ended 31 July 2011

	Half Year	
	2011 **$**	**2010** **$**
Loss for the half year	(179,080)	(2,064,820)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(179,080)	(2,064,820)
Total comprehensive income for the half year attributable to the owners of InterMet Resources Limited:	(179,080)	(2,064,820)

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

Consolidated Balance Sheets
As at 31 July 2011

	Note	31 July 2011 $	31 January 2011 $
CURRENT ASSETS			
Cash and cash equivalents		23,224	48,324
Total Current Assets		23,224	48,324
NON-CURRENT ASSETS			
Property, plant and equipment	3	3,264	7,852
Exploration & evaluation assets	4	740,433	719,797
Other non-current assets		1,480	1,980
Total Non-Current Assets		745,177	729,629
Total Assets		768,401	777,953
CURRENT LIABILITIES			
Trade and other payables		40,685	63,045
Borrowings	5	1,835,205	1,643,317
Total Current Liabilities		1,875,890	1,706,362
Total Liabilities		1,875,890	1,706,362
NET ASSETS		(1,107,489)	(928,409)
EQUITY			
Contributed equity	6	5,981,079	5,981,079
Retained earnings		(7,088,568)	(6,909,488)
Total Equity		(1,107,489)	(928,409)

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

Consolidated Statements of Changes in Equity
For the half year ended 31 July 2011

Consolidated Group	Contributed Equity $	Retained Earnings $	Total Equity $
Balance at 1 February 2010	5,981,079	(3,836,888)	2,144,191
Comprehensive income for the half year	-	(2,064,820)	(2,064,820)
Balance at 31 July 2010	5,981,079	(5,901,708)	79,371
Balance at 1 February 2011	5,981,079	(6,909,488)	(928,409)
Comprehensive income for the half year	-	(179,080)	(179,080)
Balance at 31 July 2011	5,981,079	(7,088,568)	(1,107,489)

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

Consolidated Statement of Cash Flows
For the half year ended 31 July 2011

	Half Year	
	31 July 2011	**31 July 2010**
	$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(196,352)	(178,349)
Interest received	-	-
Net cash used in operating activities	(196,352)	(178,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(20,636)	(200,813)
Net cash used in investing activities	(20,636)	(200,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Hillgrove Resources Limited	191,888	368,791
Interest and bank charges paid	-	-
Net cash provided by financing activities	191,888	368,791
Net increase/ decrease in cash held	(25,100)	(10,371)
Cash at beginning of half year	48,324	47,599
Cash at end of half year	23,224	37,228

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the half year ended 31 July 2011

1. Basis of Preparation of half-year report

This condensed consolidated interim financial report for the half year ended 31 July 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This condensed consolidated 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 31 January 2011 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.

Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group   not recognised any of such losses in other comprehensive income. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

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 2011 the consolidated Group had negative working capital of $1,854,239. This is impacted by the fact that the consolidated Group has an amount payable to the parent company (Hillgrove Resources Limited) of $1,835,205. 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 2011 half year financial report; or

(b) the date upon which each of the following has occurred:

Notes to the financial statements (continued)
For the half year ended 31 July 2011

(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.

Accordingly, there is uncertainty that Hillgrove's support of the Group as a going 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 op 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.

2. Segment Information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Group reports its Australian operations as one segment. As no tenements generate revenue they are aggregated as one segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Notes to the financial statements
For the half year ended 31 July 2011

	Consolidated Group	
	2011 $	2010 $
3. Property, plant and equipment		
Computer Equipment		
At cost	77,874	77,874
Accumulated Depreciation	(76,327)	(74,544)
	1,547	3,330
Fixtures and Fittings		
At cost	17,866	17,906
Accumulated Depreciation	(16,149)	(14,480)
	1,717	3,426
Motor vehicles		
At cost	42,347	42,347
Accumulated Depreciation	(42,347)	(41,251)
	-	1,096
Total property, plant and equipment	3,264	7,852

Reconciliations of the carrying amounts for each class are set out below:

	2011 $	2010 $
Computer equipment		
Carrying amount at beginning of period	3,330	12,679
Additions	-	-
Depreciation/Disposals	(1,783)	(9,349)
Carrying amount at end of period	1,547	3,330
Fixtures and fittings		
Carrying amount at beginning of period	3,426	6,989
Additions		-
Depreciation/Disposals	(1,708)	(3,563)
Carrying amount at end of period	1,718	3,426
Motor vehicles		
Carrying amount at beginning of period	1,096	6,676
Additions	-	-
Depreciation/Disposals	(1,096)	(5,580)
Carrying amount at end of period	-	1,096
Total property, plant & equipment	3,264	7,852

Notes to the financial statements
For the half year ended 31 July 2011

	Consolidated Group	
	2011 $	2010 $

4. Exploration and evaluation expenditure

	2011 $	2010 $
Exploration and/or evaluation phase – at cost	740,433	719,797
Carrying amount at beginning of period	719,797	3,095,571
Additions	20,636	270,238
Tenements written off	0	(2,646,012)
Carrying amount at end of period (a)	740,433	719,797

(a) The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on successful development and commercial exploitation, or sale of the respective areas**.**

5. Borrowings

	2011 $	2010 $
Amounts payable to parent company	1,835,205	1,643,317

The loan is payable to the parent company Hillgrove Resources Limited. The loan facility has a limit of $2,000,000 at the date of signing these accounts (as at 31 January 2011, the loan facility had a limit of $1,500,000) and is payable at call. After balance date, Hillgrove Resources Limited has guaranteed that this loan will not be called for a period of 12 months from the date of the accounts. Interest is accrued on the loan principle at a rate of 10% per annum.

Notes to the financial statements
For the half year ended 31 July 2011

6. Equity Securities Issued

	Consolidated Group	
	2011 $	**2010 $**
Issued and paid up capital 50,500,500 ordinary shares (2010: 50,500,500), fully paid	5,981,079	5,981,079
Ordinary shares		
Balance as at beginning of period	5,981,079	5,981,079
Balance at end of period	5,981,079	5,981,079
	2011 Number	**2010 Number**
Ordinary shares		
Balance as at beginning of period	50,500,500	50,500,500
Balance at end of period	50,500,500	50,500,500

Shares terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up the company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

8. Related party transactions

The Company has a $2,000,000 loan facility with its parent Company Hillgrove Resources Limited at the date of signing these accounts (at 31 January 2011 the facility was $2,000,000). At 31 July 2011 the loan balance was $1,835,205 (January 2011: $1,643,317) consisting of cash calls made by the Company. Interest is accrued on the loan at 10% per annum and a balance of $72,539 (January 2011: $173,708) was accrued to 31 July 2011. The loan is at call of Hillgrove Resources Limited. A previously held fixed and floating charge over the assets of InterMet Resources Limited was discharged by Hillgrove Resources Limited on 1 July 2010.

9. Contingent liabilities

The consolidated entity has obligations to restore land disturbed under exploration licences. The consolidated entity has deposits with state government departments. These deposits may be forfeited if the consolidated entity does not meet its obligations under these licence agreements.

The directors are of the opinion that further provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 4 to 13 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2011 and of its performance for the financial year ended on that date; 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.

This declaration is made in accordance with a resolution of the directors.

Dated at Sydney this 10th October 2011

The Hon Dean C Brown, AO
Chairman

Mr Russell L S Middleton
Director

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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 2011, 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 2011 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.

Independence

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

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

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 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which comments on the Group being dependent on receiving the continuing support of its parent. This condition, along with other matters as set out in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

PricewaterhouseCoopers

PricewaterhouseCoopers

D A Turner

Darren Turner
Partner

Newcastle
10 October 2011