INTERIM REPORT

for the Half-Year Ended
31 July 2012

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 2012.

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 2012 was $947,139 (6 months ended 31 July 2011: loss of $179,080). During the six month period, tenements in Munderra, Mt Molloy West, and Hodgkinson Basin in Queensland were relinquished, resulting in $726,981 being written off to the Income Statement.

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 at Sydney this 11 October 2012

The Hon Dean C Brown, AO Chairman	**Mr Russell L S Middleton** Director

Auditor's Independence Declaration

As lead auditor for the review of InterMet Resources Limited for the half year ended 31 July 2012, 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
11 October 2012

PricewaterhouseCoopers, ABN 52 780 433 757
PricewaterhouseCoopers Centre, 26 Honeysuckle Drive, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

Consolidated Income Statement
For the half-year ended 31 July 2012

	Half-Year 2012 $	Half-Year 2011 $
Other income	2,510	-
Accounting, ASIC & audit	(25,580)	(23,960)
Consultants fees	(15,000)	(309)
Depreciation	(899)	(4,587)
Directors fees	(45,000)	(45,207)
Finance costs	(83,391)	(66,120)
Legal fees	(7,128)	-
Management fees	(21,000)	(21,000)
Other expenses	(8,575)	(3,781)
Public company expenses	(16,095)	(14,116)
Write-off of exploration expenditure	(726,981)	-
Loss before income tax expense	(947,139)	(179,080)
Income tax expense	-	-
Loss attributable owners of InterMet Resources Limited	(947,139)	(179,080)

Earnings per share for the loss attributable to the ordinary equity holders of the company		
Basic loss per share (cents)	(0.019)	(0.004)
Diluted loss per share (cents)	(0.019)	(0.004)

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

Consolidated Statement of Comprehensive Income
For the half-year ended 31 July 2012

	Half-Year 2012 $	Half-Year 2011 $
Loss for the half-year	(947,139)	(179,080)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(947,139)	(179,080)
Total comprehensive income for the half-year attributable to the owners of InterMet Resources Limited:	(947,139)	(179,080)

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

Consolidated Balance Sheets
As at 31 July 2012

	Note	31 July 2012 $	31 January 2012 $
CURRENT ASSETS			
Cash and cash equivalents		9,966	7,066
Other current assets		2,271	-
Total Current Assets		12,237	7,066
NON-CURRENT ASSETS			
Property, plant and equipment	3	311	1,210
Exploration & evaluation assets	4	-	738,840
Other non-current assets		-	1,632
Total Non-Current Assets		311	741,682
Total Assets		12,548	748,748
CURRENT LIABILITIES			
Trade and other payables		33,845	38,848
Borrowings	5	2,201,849	1,985,907
Total Current Liabilities		2,235,694	2,024,755
Total Liabilities		2,235,694	2,024,755
NET ASSETS		(2,223,146)	(1,276,007)
EQUITY			
Contributed equity	6	5,981,079	5,981,079
Retained earnings		(8,204,225)	(7,257,086)
TOTAL EQUITY		(2,223,146)	(1,276,007)

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

Consolidated Statement of Cash Flows
For the half-year ended 31 July 2012

	Half-Year 2012 $	Half-Year 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(144,032)	(196,352)
Net cash used in operating activities	(144,032)	(196,352)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments or refunds for exploration expenditure	11,859	(20,636)
Interest received	2,510	-
Net cash provided/ (used) in investing activities	14,369	(20,636)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Hillgrove Resources Limited	132,563	191,888
Interest and bank charges paid	-	-
Net cash provided by financing activities	132,563	191,888
Net increase/ (decrease) in cash held	2,900	(25,100)
Cash at beginning of half-year	7,066	48,324
Cash at end of half-year	9,966	23,224

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 July 2012

Consolidated Group	Contributed Equity $	Retained Earnings $	Total Equity $
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)
Balance at 1 February 2012	5,981,079	(7,257,086)	(1,276,007)
Comprehensive income for the half-year	-	(947,139)	(947,139)
Balance at 31 July 2012	5,981,079	(8,204,225)	(2,223,146)

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

Notes to the financial statements

For the half-year ended 31 July 2012

1. Basis of Preparation of Half-Year Report

This condensed consolidated interim financial report for the half-year ended 31 July 2012 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 2012 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.

New accounting standards and interpretations

The following new standards and amendment to standards have been adopted in these financial statements:

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This has not affected the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group has adopted the new standard from 1 July 2012.

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.

Notes to the financial statements (continued)

For the half-year ended 31 July 2012

1. Basis of Preparation of Half-Year Report (continued)

Going concern basis of preparation

The financial statements have been prepared on a going concern basis which assumes 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 of $947,139 (July 2011: $179,080) as expected during the exploration and evaluation phase of the business. As at 31 July 2012 the consolidated Group had negative working capital of $2,223,457 (31 January 2012: $2,017,689). This is impacted by the fact that the consolidated Group has an amount payable to the parent company (Hillgrove Resources Limited) of $2,201,849 (31 January 2012: $1,985,907). The consolidated Group has minimum expenditure commitments of $150,000 over the 12 months from the reporting date.

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

a. the first anniversary of the date of signing of the 31 July 2012 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;

    (iii) Hillgrove no longer control the day to day operational decision making processes of InterMet; and

    (iv) HGO procures an assertion in writing from the new Board of ITT that they see no reason why ITT cannot pay its then debts and commitments as and when they fall due.

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; and/or

c. Securing viable exploration projects/tenements to realise future profitability and meet the Group's ongoing listing compliance requirements.

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.

Notes to the financial statements (continued)

For the half-year ended 31 July 2012

1. Basis of Preparation of Half-Year Report (continued)

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.

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.

3. Property, Plant and Equipment

	Consolidated Group	
	2012 **$**	**2011** **$**
Computer Equipment		
At cost	78,874	78,874
Accumulated Depreciation	(78,874)	(78,340)
	-	534
Fixtures and Fittings		
At cost	17,906	17,906
Accumulated Depreciation	(17,595)	(17,230)
	311	676
Motor vehicles		
At cost	42,347	42,347
Accumulated Depreciation	(42,347)	(42,347)
	-	-
Total property, plant and equipment	311	1,210

Notes to the financial statements (continued)

For the half-year ended 31 July 2012

3. Property, Plant and Equipment (continued)

	Consolidated Group	
	2012 **$**	**2011** **$**
Reconciliations of the carrying amounts for each class are set out below:		
Computer equipment		
Carrying amount at beginning of period	534	3,330
Additions	-	-
Depreciation/Disposals	534	(2,796)
Carrying amount at end of period	-	534
Fixtures and fittings		
Carrying amount at beginning of period	676	3,426
Additions	-	-
Depreciation/Disposals	365	(2,750)
Carrying amount at end of period	311	676
Motor vehicles		
Carrying amount at beginning of period	-	1,096
Additions	-	-
Depreciation/Disposals	-	(1,096)
Carrying amount at end of period	-	-
Total property, plant & equipment	311	1,210

4. Exploration and evaluation expenditure

Exploration and/or evaluation phase – at cost	-	738,840
Carrying amount at beginning of period	738,840	719,797
Additions	2,021	24,133
Refunds of tenement bond deposit	(13,880)	-
Tenements written off	(726,981)	(5,090)
Carrying amount at end of period (a)	-	738,840

During this period, tenements in Munderra, Mt Molloy West, and Hodgkinson Basin in Queensland were relinquished, resulting in $726,981 being written off to the Income Statement.

Notes to the financial statements (continued)

For the half-year ended 31 July 2012

5. Borrowings

	Consolidated Group	
	2012 $	**2011 $**
Amounts payable to parent company	2,201,849	1,985,907

The loan is payable to the parent company Hillgrove Resources Limited. The loan facility has a limit of $2,250,000 at the date of signing these accounts 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.

6. Equity Securities Issued

Issued and paid up capital 50,500,500 ordinary shares (2011: 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

	2012 Number	**2011 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.

Notes to the financial statements (continued)

For the half-year ended 31 July 2012

7. Related Party Transactions

The loan is payable to the parent company Hillgrove Resources Limited. The loan facility has a limit of $2,250,000 as at 31 July 2012 ($2,000,000 as at 31 January 2012) 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.

8. 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 14 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 2012 and of its performance for the half-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 11 October 2012

The Hon Dean C Brown, AO
Chairman

Mr Russell 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 2012, 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 InterMet Resources Limited (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 internal 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 a 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 2012 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. 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
PricewaterhouseCoopers Centre, 26 Honeysuckle Drive, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

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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 2012 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
11 October 2012