InterMet Resources Limited
(and its controlled entities)

ABN 62 112 291 960

HALF YEAR FINANCIAL REPORT

31 July 2013

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 2013.

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:

- Mr Andrew Richards
- Mr Barnaby Egerton-Warburton
- Mr Scott Mison

Principal Activities

The principal activities of the consolidated entity were focused on the search for copper-gold and base metals on prospective areas in north Queensland and the search for Nickel Sulphide on the Calypso Project in Western Australia.

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 after tax of the consolidated entity for the half-year ended 31 July 2013 was $134,340 (July 2012: loss of $947,139).

Calypso Nickel Project

During the period, the Company completed a detailed ground magnetic program at its Calypso Nickel Project near Leonora, Western Australia.

Having obtained Heritage Clearance and re-established access, a detailed ground magnetic survey was completed during the quarter over the Zeus and Argos prospects to better define and detail the structure, geology and potential mineralisation for drill targeting in the upcoming aircore drilling program.

Aircore drilling by BHP Minerals in the mid 1980's intersected shallow nickel sulphides and prospective geology at the Zeus and Argos prospects respectively. The prospects are also defined by a coincident intense aeromagnetic and broad gold soil geochemistry anomalies.

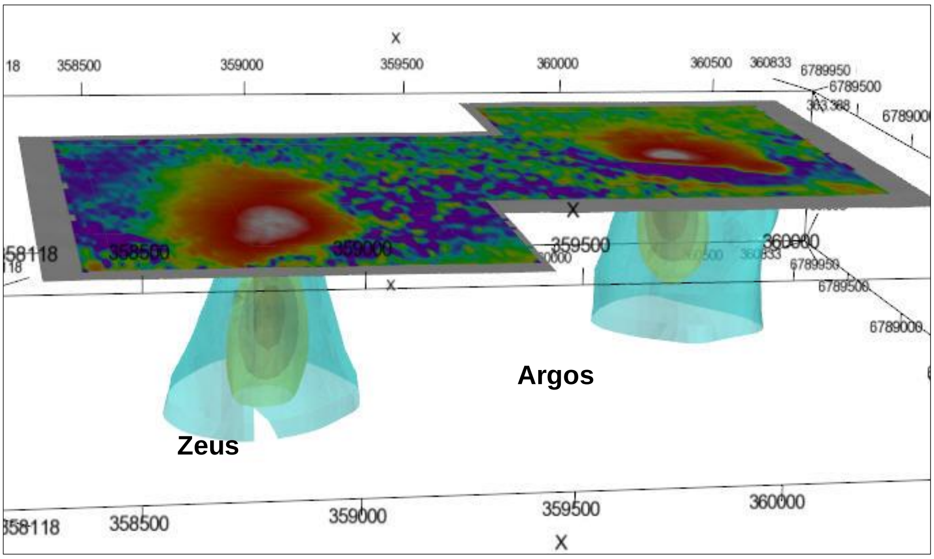

Figure 1. Initial 3D modelling of magnetic data viewing to the NNE

Analysis of the data is continuing but preliminary results confirm the magnetic signature over two ultramafic intrusives modelled in Figure 1. Figure 2 shows the holes drilled by BHP Minerals overlain on the magnetic contour and suggests that the nickel intersection of 16m at 0.2% Ni from 16m in MR382 (including 2m at 0.43% Ni) may coincide with a zone of slight magnetic destruction (Figure 3).

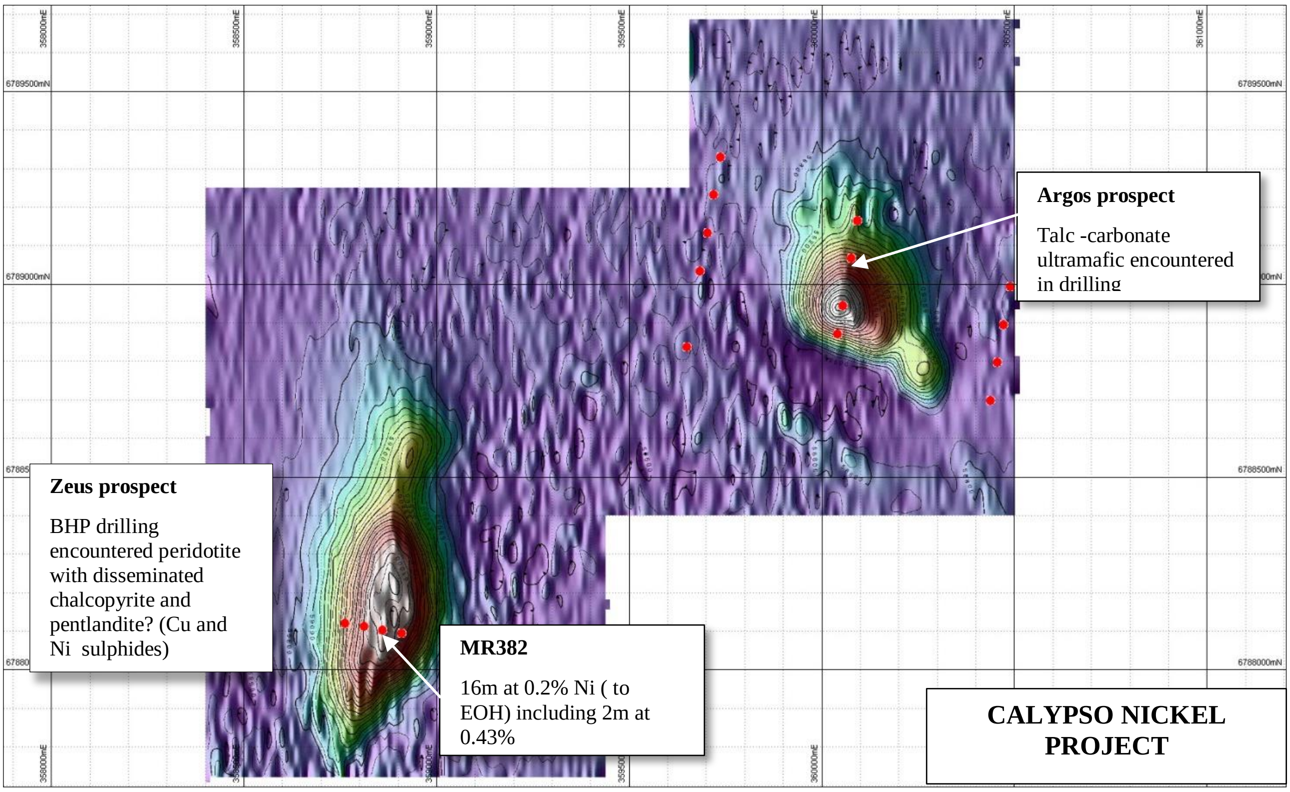

Figure 2. BHP drill hole locations superimposed on magnetic signature. Drilling in the 1980s encountered prospective ultramafics at both Zeus and Argos with nickel and copper sulphides at Zeus. MR382 was the only drillhole assayed for nickel and copper.

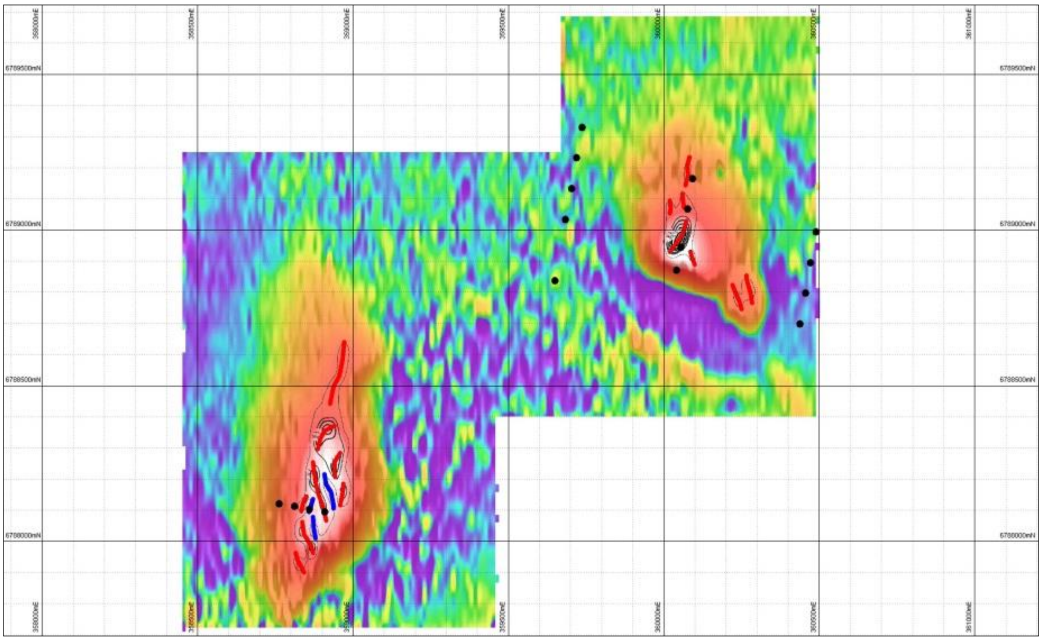

Figure 3. Initial modelling of magnetic data suggesting trends of units of varying magnetic intensity that might represent different mineralogy. (The red trends may represent magnetite rich serpentinite layers while the blue trends may possibly represent demagnetised layers, have different mineralogy (eg peridotite with less magnetite), or have some reversed remanence)

8 Mile Creek Project – Queensland

Gold and base metal project in rich mineral field

The application for the 8 Mile Creek tenement (EPM17097) in north Queensland passed all approvals and has been granted to InterMet.

8 Mile Creek is immediately adjacent to the Mt Leyshon mine which produced 2.5 million ounces gold and 2.2 million ounces of silver between 1987 and 2002 and 7km north of the Highway-Reward VHMS mine (2Mt at 6% Cu and 1.8g/t Au).

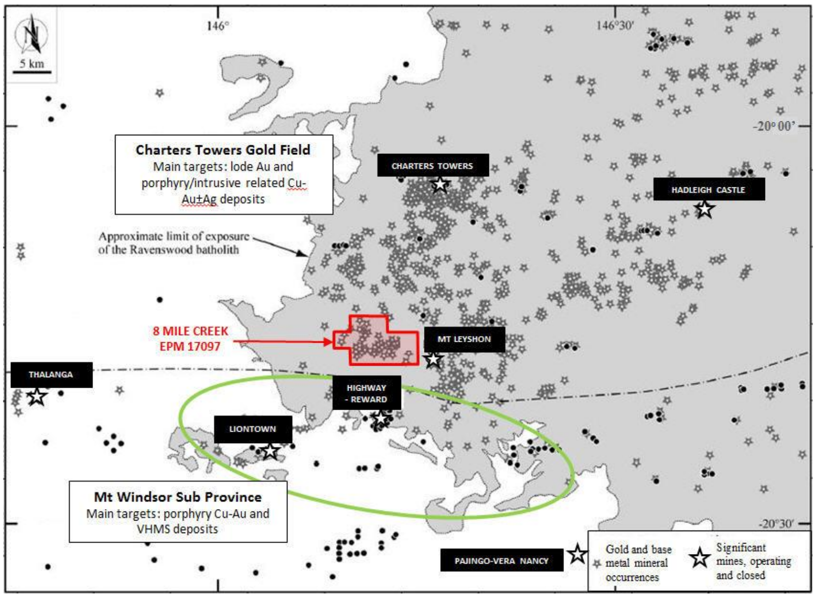

Figure 4. 8 Mile Creek project in NE Queensland (diagram after Kruezer at al 2007)

The tenement is located within the Charters Towers Gold Field and underlain by the Ravenswood Batholith; a multiphase granitoid - gabbroic intrusive with associated minor volcanics and metasediments. Widespread gold and base metal occurrences have been reported in the region and within the tenement. Gold mineralisation in this area has predominantly occurred in structurally controlled vein deposits although the world class Mt Leyshon deposit was hosted in a 400m by 300m porphyry related breccia pipe.

Capital Raisings

During the period $425,000 (before costs) was raised, after shareholder approval at the General Meeting held on 8 March 2013.

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 auditor's independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 6.

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

Dated at Perth this 11 October 2013

Mr Scott Mison
Director

Auditor's Independence Declaration

As lead auditor for the review of InterMet Resources Limited for the half- year ended 31 July 2013, 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.

William P R Meston
Partner
PricewaterhouseCoopers

Perth
11 October 2013

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Consolidated Income Statement
For the half-year ended 31 July 2013

	Half-Year	
	2013 **$**	**2012** **$**
Other income	20	2,510
Accounting, ASIC & Audit fees	(16,570)	(25,580)
Consultants fees	(26,000)	(15,000)
Depreciation	(139)	(899)
Directors fees	(78,000)	(45,000)
Finance costs	(494)	(83,391)
Legal fees	(1,913)	(7,128)
Management fees	-	(21,000)
Other expenses	(2,026)	(8,575)
Public company expenses	(9,218)	(16,095)
Write-off of exploration expenditure	-	(726,981)
Loss before income tax expense	(134,340)	(947,139)
Income tax expense	-	-
Loss attributable owners of InterMet Resources Limited	(134,340)	(947,139)

Earnings per share for the loss attributable to the ordinary equity holders of the company		
Basic loss per share (cents)	(0.13)	(0.019)
Diluted loss per share (cents)	(0.13)	(0.019)

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 2013

	Half-Year 2013 $	Half-Year 2012 $
Loss for the half-year	(134,340)	(947,139)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period	(134,340)	(947,139)
Total comprehensive loss for the half-year attributable to the owners of InterMet Resources Limited:	(134,340)	(947,139)

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

Consolidated Balance Sheet
As at 31 July 2013

	Note	31 July 2013	31 January 2013
		$	$
CURRENT ASSETS			
Cash and cash equivalents		132,182	68,990
Other current assets		17,380	13,309
Total Current Assets		149,562	82,299
NON-CURRENT ASSETS			
Property, plant and equipment		-	139
Exploration & evaluation assets	3	152,156	50,000
Total Non-Current Assets		152,156	50,139
Total Assets		301,718	132,438
CURRENT LIABILITIES			
Trade and other payables		50,160	141,540
Total Current Liabilities		50,160	141,540
Total Liabilities		50,160	141,540
NET ASSETS / (LIABILITIES)		251,558	(9,102)
EQUITY			
Contributed equity	4	6,451,079	6,056,079
Accumulated losses		(6,199,521)	(6,065,181)
TOTAL EQUITY / (DEFICIENCY)		251,558	(9,102)

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

Consolidated Statement of Cash Flows

For the half-year ended 31 July 2013

	Half-Year	
	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(194,389)	(144,032)
Net cash used in operating activities	(194,389)	(144,032)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments or refunds for exploration expenditure	(137,419)	11,859
Interest received	-	2,510
Net cash (used in) / provided by in investing activities	(137,419)	14,369
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Hillgrove Resources Limited	-	132,563
Proceeds from share issue	425,000	-
Payments for cost of share issue	(30,000)	-
Net cash provided by financing activities	395,000	132,563
Net increase in cash and cash equivalents held	63,192	2,900
Cash and cash equivalents at beginning of half-year	68,990	7,066
Cash and cash equivalents at end of half-year	132,182	9,966

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 July 2013

	Contributed Equity $	Accumulated Losses $	Total Equity / (Deficiency) $
Balance at 1 February 2012	5,981,079	(7,257,086)	(1,276,007)
Comprehensive loss for the half-year	-	(947,139)	(947,139)
Balance at 31 July 2012	5,981,079	(8,204,225)	(2,223,146)
Balance at 1 February 2013	6,056,079	(6,065,181)	(9,102)
Net contributions of equity	395,000	-	395,000
Comprehensive loss for the half-year	-	(134,340)	(134,340)
Balance at 31 July 2013	6,451,079	(6,199,521)	251,558

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

Notes to the consolidated financial statements

31 July 2013

1. Basis of Preparation of Half-Year Report

This condensed consolidated interim financial report for the half-year ended 31 July 2013 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 2013 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 period.

New accounting standards and interpretations

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 February 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 February 2013 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

Early adoption of standards

The group has elected to apply the following pronouncement to the annual reporting period beginning 1 February 2013:

Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

None of the items in the financial statements had to be restated as a result of applying this standard. However, the amendments removed the requirement to provide additional comparative information in all relevant notes where line items in the financial statements are affected as a result of a retrospective restatement (e.g. because of an error). Following the amendments, it is now sufficient if an entity includes a third balance sheet and explains the impact of the restatement on individual line items in the note that sets out the reasons for the restatement.

Notes to the consolidated financial statements (continued)

31 July 2013

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

Going concern basis of preparation

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the period ended 31 July 2013, the Group did not generate any revenue, has incurred operating losses of $134,340 (July 2012:$ 947,139) and had cash outflows from operating activities of $194,324, as is typically expected during the exploration and evaluation phase of the business.

The Group has been able to continue to meet working capital requirements in the period principally as a result of a previous capital raising.

On 13 August 2013, the Group announced the proposed acquisition of Lancaster Resources Pty Ltd ("LAN"). The proposed transaction has been approved by LAN shareholders. The Group has a General Meeting on 22 October 2013 to vote on the proposed transaction.

The Group also announced that it proposes to raise $500,000 from sophisticated investors via a placement, subject to shareholders' approval on 22 October 2013 as part of the proposed acquisition of LAN.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due, are dependent on the company's ability to raise further capital, and the approval of the LAN acquisition, which will lead to a cash injection for the Group.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors believe that both of the above proposed transactions will be approved by shareholders. If the above proposed transactions are approved, the Group will be able to continue as a going concern and meet its debts and commitments as they fall due. The financial statements have therefore been prepared on a going concern basis which does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of 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 consolidated financial statements (continued)

31 July 2013

3. Exploration and evaluation expenditure

	Consolidated Group	
	July 2013 $	Jan 2013 $
Exploration and/or evaluation phase – at cost	152,156	-
Carrying amount at beginning of period	50,000	738,840
Additions	102,156	50,000
Tenements written off	-	(738,840)
Carrying amount at end of period	152,156	50,000

4. Contributed Equity

	Consolidated Group	
	July 2013 $	Jan 2013 $
Issued and paid up capital 100,500,500 ordinary shares (2012: 50,500,500), fully paid	6,451,079	6,056,079
Ordinary shares		
Balance as at beginning of period	6,056,079	5,981,079
Issued during the year	425,000	75,000
Cost of issue	(30,000)	-
Balance at end of period	6,451,079	6,056,079

	July 2013 Number	Jan 2013 Number
Ordinary shares		
Balance as at beginning of period	58,000,500	50,500,500
Issued during the period	42,500,000	7,500,000
Balance at end of period	100,500,500	58,000,500

Notes to the consolidated financial statements (continued)

31 July 2013

4. Contributed Equity (continued)

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.

5. 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.

6. Subsequent Events

Subsequent to period end, InterMet signed a binding Heads of Agreement ("HOA") for the acquisition of Lancaster Resources Pty Ltd ("Lancaster") and in conjunction is proposing to raise $500,000 for ongoing exploration programs.

Lancaster Resources Pty Ltd

Lancaster is a privately held company which has four Australian mineral exploration projects, including an option over a large landholding around the Rox Resources Ltd Mt Fisher East nickel project and the Cullen Resources Ltd Mt Eureka nickel project, and cash assets of approximately $450,000. The four Lancaster projects are targeting nickel sulphides, tungsten and gold and are a synergistic fit with existing InterMet projects.

- **Mt Jewell (WA)** - historical drilling has intersected nickel sulphides 65km north of Kalgoorlie and there is also potential for gold mineralisation.
- **Wilks Creek (VIC)** – centred on a historical tungsten mine, exploration has defined strong, large tungsten anomaly that has been advanced by Lancaster to a drill ready target.
- **Royal Tasman (TAS)** – targeting granite related, sediment hosted gold and greisen hosted tin mineralisation. In an area of historical gold and tin mining.
- **Nickel First (WA)** – Lancaster has an option to acquire a 100% interest in four tenements totalling 463.99 square kilometres located and adjoining the Rox Resources Ltd Mt Fisher East project near Wiluna.

The projects are prospective for disseminated and semi massive Kambalda style nickel mineralisation as well as gold.

The proposed transaction will see InterMet acquire 100% of the share capital in Lancaster by way of a share sale agreement with existing Lancaster shareholders. The acquisition price for 100% equity in Lancaster is $700,000 payable by the issue of 140,000,000 fully paid InterMet ordinary shares which will be escrowed for 3 months.

6. Subsequent Events (continued)

The acquisition of Lancaster would provide a further cash injection for InterMet, and a significant exploration portfolio which would complement InterMet's 8 Mile Creek and Calypso projects.

The proposed transaction has been approved by Lancaster shareholders and a General Meeting for InterMet shareholders is to be held on 22 October 2013 to approve the transaction.

Proposed Placement

InterMet has executed a capital raising mandate with Merchant Group Pty Ltd to place 100,000,000 shares at an issue price of $0.005 per share, with a free 1:2 attaching option exercisable at $0.01 on or before 1 July 2016. The Placement will be to sophisticated investors and will raise a total of A$500,000 before costs. The placement will be subject to shareholder approval at the 22 October 2013 General Meeting.

Directors' declaration

31 July 2013

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 16 are in accordance with the Corporations Act 2001, including:

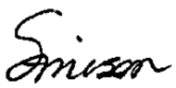
   (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2013 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 Perth this 11 October 2013



Mr Scott Mison
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 consolidated balance sheet as at 31 July 2013, 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 fo.r 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 entity's financial position as at 31 July 2013 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*.

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

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 2013 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 the basis of preparation in Note 1 in the financial report, which indicates the ability of the consolidated entity to continue as a going concern and meet its debts and commitments as they fall due is dependent on its ability to raise further capital and approval of the acquisition of Lancaster Resources Pty Ltd. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty relating to an event or condition that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the half- year financial report of InterMet Resources Limited (the consolidated entity) for the half year ended 31 July 2013 included on InterMet Resources Limited's web site. The consolidated entity's directors are responsible for the integrity of InterMet Resources Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the half- year financial report named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from the financial report. 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

William P R Meston
Partner

Perth
11 October 2013