



Tuesday, 23 October 2007

InterMet Signs Option Agreement for Iron Ore Project at Mt Lucy High-Grade Base Metals Reported in Rock Chip Samples

Highlights

- InterMet adds to its iron ore project portfolio in northern Queensland with the Mt Lucy magnetite and base metals project
- Iron values up to 70.18% Fe
- Lead up to 27%, Zinc up to 14% and Silver up to 686g/t reported from rock chip samples away from ironstone

InterMet Resources (ASX:ITT) is pleased to announce it has continued to build on its portfolio of iron projects with the signing of an option agreement over an iron ore project at Mt Lucy in northern Queensland.

Mt Lucy – MLA 20488

Mt Lucy is located approximately 112km northwest of Mount Garnet and 5km west of Almaden (Figure 1). Mt Lucy comprises a hill of ironstone rising approximately 100m above the plain and approximately 300m long. To the southeast the ironstone ends abruptly, but to the northwest it can be traced down the flank of the ridge and across the flats in a series of rubbly sub-crops for several hundred metres to another low ironstone outcrop that lies alongside the highway (Figure 2).

The ironstone unit extends for approximately 800m from the top of Mt Lucy to the small rise near the highway. InterMet is targeting a potential high-grade magnetite deposit up to 10Mt based on a thickness of 80m. InterMet will scope the possibility of mining the hill to add to other potential iron resources at Paddy (ML 3945) and Mt Ruby (MLA 20414), while undertaking further drilling to define the depth and the continuation of the mineralisation.

Mt Lucy was mined in the early 1900's providing iron to the smelter at Chillagoe (Plate 1). Mt Lucy has not received any serious exploration as an iron ore prospect.

The iron at Mt Lucy is a classic magnetite skarn produced by the intrusion of granite into limestone producing a concentration of magnetite with accessory garnet. Within the main outcrop granite can be observed in contact with the iron. A secondary low hill of ironstone located approximately 600m to the southwest provides encouragement that the ironstone body forms a continuous body below the current land surface. On the southwest side of the hill there is a skarn breccia with wollastonite and garnet-rich ironstone.

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The iron at Mt Lucy comprises coarse-grained magnetite with magnetite cubes up to 5cm across (Plate 2). The magnetite is very high-grade iron assaying up to 70.18% Fe with very low phosphorous (generally 0.01ppm) and silica.

Base Metal Potential

Located approximately 100m to the north of the main hill at Mt Lucy is an area of float containing lead (Pb), zinc (Zn), silver (Ag) and copper (Cu) rich samples (Plate 3). This area possibly represents a base metal rich part of the skarn system. Best rock chip results are:

- 19.2% Pb, 1.7% Zn and 678g/t Ag
- 27.4% Pb and 14.04% Zn
- 12.4% Pb, 14.8% Zn and 158g/t Ag
- 3.4% Cu

InterMet believes the Mt Lucy project has the potential for a small high-grade iron ore deposit and a base metal deposit at depth and along the margins of the iron mineralisation.

Under the Option agreement InterMet has 100% of the rights to the iron and the vendors retain a 2% NSR on any other metals. InterMet has paid an option fee of \$80,000 to the vendors and has three months to undertake a geological assessment of the prospect once the Mining Lease is granted. If it is decided to purchase the Lease, InterMet will pay the vendors a further \$320,000 for 100% ownership. Commenting on the Option Agreement, Managing Director Gary Ferris said “this deal complements the Mt Ruby option deal reported to ASX (22 October 2007) and the Paddy iron ore project and provides InterMet with significant potential to become a producer within the next 18 months”.

Summary

Mt Lucy is an outcropping hill of magnetite with potential for a small high-grade iron ore deposit, as well as a base metal deposit along the margins of the outcropping iron. InterMet has now acquired and signed option agreements over three iron ore prospects; Mount Lucy, Mt Ruby and Paddy, which provide InterMet with a fantastic opportunity for several potential small to medium sized high-grade iron deposits located relatively close to existing infrastructure.

The information in this report that relates to Exploration Results is based on information compiled by Mr. Gary Ferris, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Ferris is the Managing Director of InterMet Resources and has sufficient relevant experience to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gary Ferris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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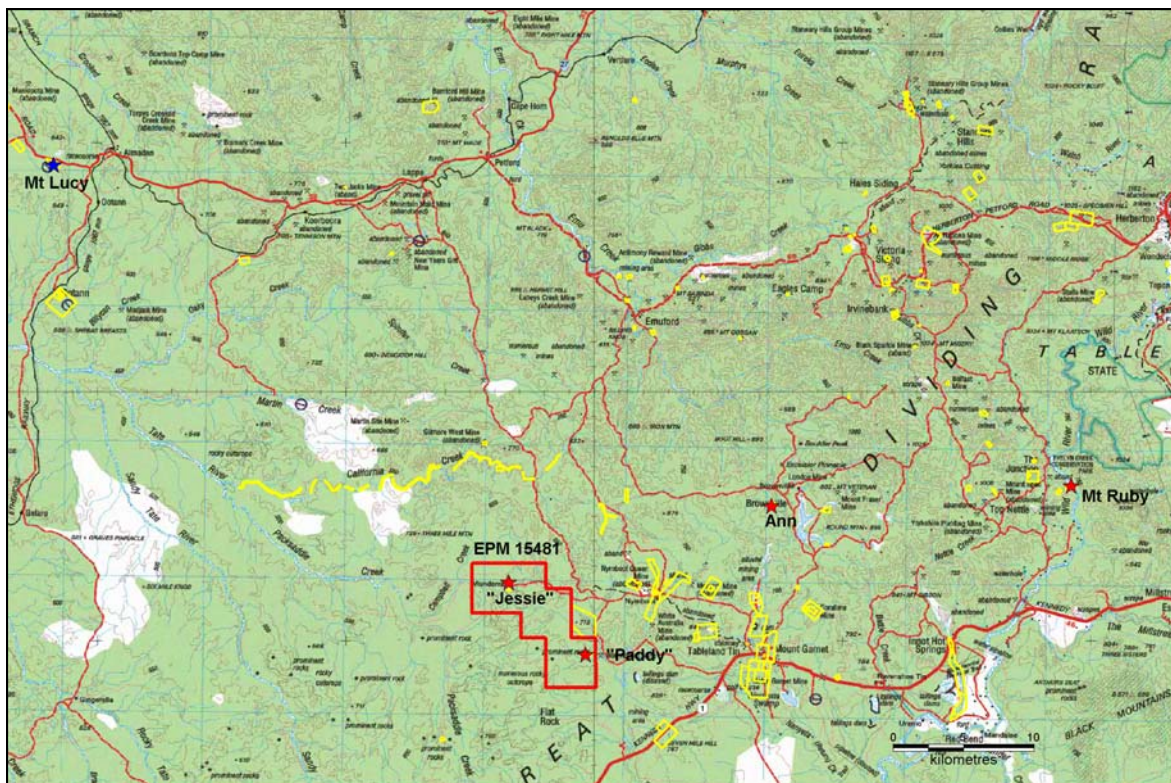


Figure 1: Location of Mt Lucy and InterMet's other Projects in the Mount Garnet region

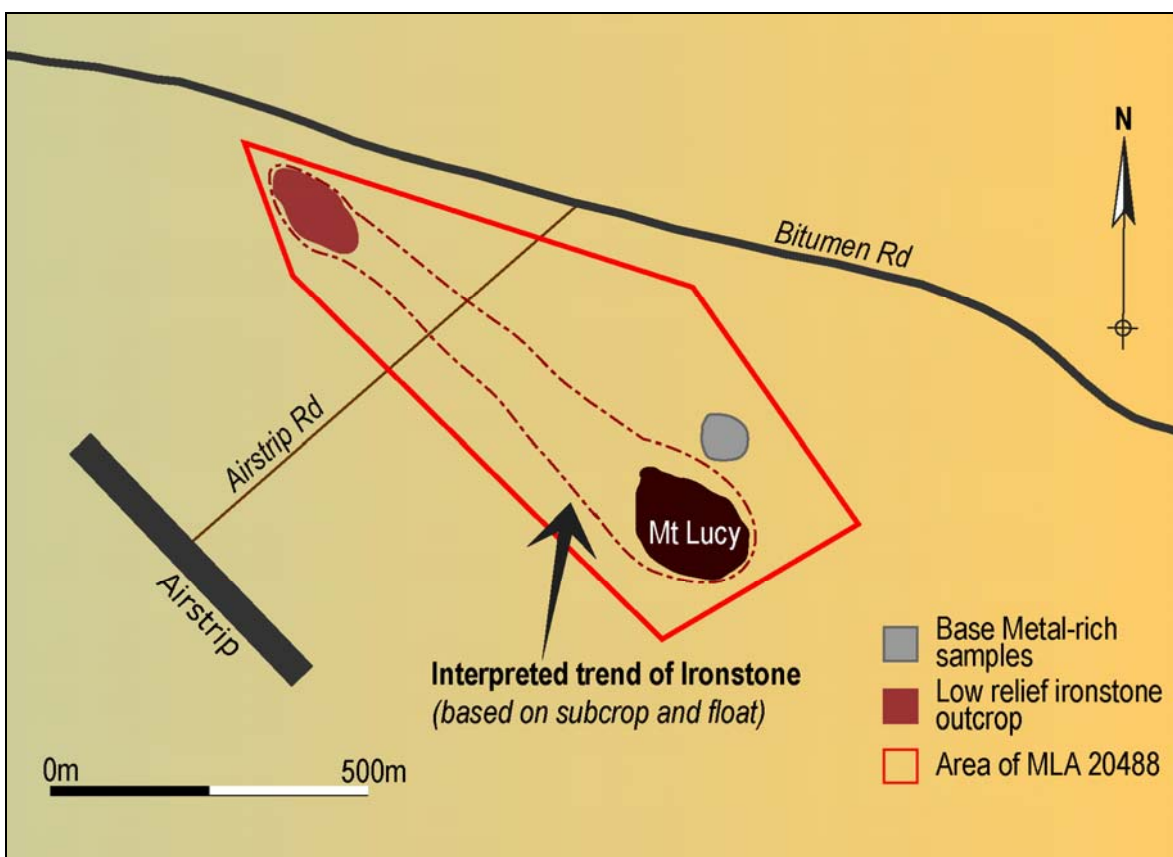


Figure 2: Detailed plan showing location of iron-rich outcrops and base metal samples



Plate 1: Small pit at Mt Lucy



Plate 2: Massive magnetite crystals at Mt Lucy



Plate 3: Detailed view of very coarse-grained magnetite crystals



Plate 4: Area away from main outcrop at Mt Lucy where anomalous lead-zinc-silver samples previously collected