

Monday, 12 May 2008

OFFER FOR INTERMET RESOURCES LIMITED

Hillgrove Resources Limited (ASX: HGO) ("Hillgrove") today announced its intention to make a scrip offer ("Offer") to acquire all of the ordinary shares of InterMet Resources Limited ("InterMet") (ASX: ITT) that it does not currently own (including InterMet shares that are issued during the Offer Period due to the exercise of InterMet options).

The Offer is not conditional on a minimum level of acceptances.

Hillgrove currently has a fully diluted 29.1% ownership interest and an undiluted 24.5% ownership interest in InterMet.

The Offer consideration will be four (4) Hillgrove ordinary shares for each five (5) outstanding InterMet shares.

New Hillgrove shares will be issued to InterMet shareholders and will be the subject of an application for listing on the Australian Securities Exchange ("ASX").

Based on Hillgrove's closing share price of 31.5 cents on 9 May 2008, the Offer values InterMet at A\$12.7 million in total (including the shares currently owned by Hillgrove), or 25.2 cents per InterMet share.

The Offer consideration represents a **premium** of approximately:

- 50% to InterMet's volume weighted average price of 16.7 cents in the 3-month period prior to this announcement;
- 48% to InterMet's volume weighted average price of 17.0 cents in the 2-month period prior to this announcement;
- 41% to InterMet's volume weighted average price of 17.8 cents in the 1-month period prior to this announcement; and
- 26% to InterMet's last traded price of 20 cents on 8 May 2008.

Hillgrove has retained Baron Partners Limited as its corporate adviser in relation to the Offer.

Hillgrove Resources Limited

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Offer Timing & Conditions

A Bidder's Statement will be filed with ASX and the Australian Securities and Investments Commission ("ASIC") as soon as practicable. A copy of the Bidder's Statement will also be posted to InterMet shareholders and made available on Hillgrove's website at: www.hillgroveresources.com.au.

The Offer will remain open for a minimum of one month after the dispatch of the Bidder's Statement to InterMet's shareholders and will be subject to the conditions set out in Schedule A.

Benefits to InterMet Shareholders

Hillgrove believes there are a series of compelling benefits of the Offer for InterMet and its shareholders. The merging of the two companies would create a more diverse resources group, bringing together InterMet's predominantly gold and iron ore exploration assets with Hillgrove's copper/gold development assets, base metals/gold exploration assets and gas and minerals investment assets.

While retaining an interest in the underlying InterMet assets and business prospects, InterMet shareholders will also enjoy the following benefits:

- a premium of 41% to 50% on InterMet's recent volume weighted average price;
- shares in a more liquid and diversified corporate group with significantly higher average trading volumes;
- potentially, access to capital on more favourable terms; and
- operational benefits including improved management and staff career paths within a larger merged entity, and possible improved relationships with InterMet's service providers (consultants, drilling, etc) in dealing with a larger, more diverse and better resourced group.

In the opinion of Hillgrove's directors, the Offer will be seen by the market as a logical and rational step for both InterMet and Hillgrove, and be seen as an attractive opportunity for InterMet's shareholders.

The combination of the two companies will result in an enlarged group with enhanced investment relevance and capital raising abilities.

In particular, Hillgrove's directors believe the Offer will be seen as a positive outcome for InterMet given the current market environment which is proving challenging for smaller exploration companies.

Hillgrove's Intentions

Hillgrove's specific intentions for the near term future of InterMet will be described in Hillgrove's Bidder's Statement. In summary, Hillgrove envisages the following with respect to the continuation of the business, the position of the employees and the protection of InterMet's assets:

- **Business:** Hillgrove expects InterMet to continue as a minerals exploration company in substantially the same manner as it is presently operated.
- **Board of Directors and Executive Management:** Hillgrove may appoint further nominees to the current board of directors. Hillgrove will seek to retain all the members of the InterMet executive management team, whose performance will continue to be reviewed in line with current procedures.
- **Employees and Consultants:** Hillgrove plans to continue the employment of all current employees of InterMet. Hillgrove intends to continue the monitoring and review process which is currently in place in regard to InterMet's employees and the usage of consultancy services.
- **Headquarters:** InterMet will continue to be headquartered in Adelaide.
- **Compulsory Acquisition:** If during or at the end of the Offer period, Hillgrove (and its associates) has or have acquired :
 - a relevant interest in at least 90% (by number) of the shares of InterMet, and
 - title to 75% (by number) of the shares of InterMet that are the subject of the Offer,

Hillgrove will thereupon be entitled to proceed with the compulsory acquisition of the remaining InterMet shares and will make offers for any outstanding options in accordance with the provisions of the Corporations Act.

Acknowledgement of Common Directors

Hillgrove advises its Managing Director, David Archer, is the non-executive Chairman of InterMet, and Dale Ferguson, the Executive Director - Exploration and Operations of Hillgrove, was until 11 April 2008 a non-executive Director of InterMet. In addition, Russell Middleton, Chief Financial Officer and Company Secretary of Hillgrove, is the Company Secretary of InterMet. As a consequence, each of Messrs Archer, Ferguson and Middleton will absent themselves from any discussion of, and any decisions made in relation to, the Offer by the other directors or senior management of InterMet.

General

The statements described above reflect Hillgrove's current intentions only, which may change as new information becomes available or as circumstances change.

About Hillgrove

Hillgrove is a listed Australian resources company on the Australian Securities Exchange (ASX: HGO) focused on developing its South Australian base and precious metals projects.

The Company possesses an exploration portfolio covering over 970km² within the Kanmantoo Trough and the Gawler Craton, recognised among Australia's most prospective regions for copper and gold.

Hillgrove's key asset is the Kanmantoo Copper Gold Project, located less than 60km from Adelaide on the site of a former mine. Kanmantoo currently hosts a JORC-compliant Inferred Resource of 31.8Mt grading 0.9% copper and 0.20g/t gold, containing 290,700t of copper and 189,300 oz of gold. With first production by mid-2009, Kanmantoo will be a 2Mtpa operation producing approximately 17,000t copper in concentrate and 8,000oz of gold per annum.

Hillgrove also holds strategic positions in emerging energy and resources companies, including a fully diluted 23.1% shareholding in coal seam gas company Eastern Star Gas (ASX:ESG), in addition to its shareholding in InterMet.

For Further Information:

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SCHEDULE A – Summary of Conditions and Further Terms of the Offer

The Offer will be subject to conditions substantially as set out below:

- 1. No acquisition or disposal of material asset:** Except for any proposed transaction publicly announced by InterMet before the date of this announcement (the “Announcement Date”) none of the following events occurs during the period from the Announcement Date to the end of the Offer Period (“Conditional Period”):
 - (a) InterMet or any controlled entity of InterMet acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$100,000 or makes an announcement in relation to such an acquisition, offer or agreement; or
 - (b) InterMet or a controlled entity of InterMet enters into, offers to enter into or agrees to enter into any agreement, joint venture, partnership or commitment which would require expenditure, or the foregoing of revenue or any other benefit by InterMet and/or any of its controlled entities of an amount which is, in aggregate, more than \$100,000, other than in the ordinary course of business or makes an announcement in relation to such an entry, offer or agreement.

- 2. No change in control:** No person has, or is entitled to have any right to:
 - (a) terminate or alter any contractual relations between any person and any InterMet Group entity; or
 - (b) require the sale of any securities in an InterMet Group entity;as a result of the acquisition of any InterMet shares by Hillgrove.

- 3. No material adverse change:** During the Conditional Period, no change occurs or is announced that would reasonably be expected to affect the capital structure, business, financial or trading position, future profitability, condition of assets or liabilities of InterMet or a controlled entity of InterMet in a manner which would be material in the context of InterMet’s operations as a whole.

- 4. No litigation:** During the Conditional Period, no litigation or arbitration proceedings have been or are instituted or threatened against InterMet or a controlled entity of InterMet which are material in the context of InterMet’s operations as a whole.

- 5. No regulatory intervention:** During the Conditional Period, no governmental agency or any other person takes any action to:
 - (a) prohibit, prevent or inhibit the acquisition of, or trading in, InterMet shares;
 - (b) impose conditions on the Offer which impose unduly onerous obligations upon Hillgrove or would materially affect the business or capital structure of InterMet; or

- (c) require the divestiture by Hillgrove of securities or assets of any InterMet group Entity;

other than an application to or a decision or order of ASIC or the Takeovers Panel for the purpose of or in the exercise of the powers and discretions conferred on it by the Corporations Act.

- 6. Other regulatory approvals:** All other necessary approvals for the proposed transaction are granted, given, made or obtained unconditionally or on conditions acceptable to Hillgrove, and, at the end of the Offer Period, remain in full force and effect in all respects and are not subject to any notice, intention or indication of intention to revoke, suspend, restrict, modify or not renew those approvals.
- 7. No prescribed occurrences:** None of the following happens during the Conditional Period (each being a separate condition):
 - (a) the shares of InterMet or any of the controlled entities of InterMet are converted into a larger or smaller number of shares;
 - (b) InterMet or a controlled entity of InterMet resolves to reduce its share capital in any way;
 - (c) InterMet or a controlled entity of InterMet:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act; or
 - (iii) makes an issue of or grants an option to subscribe for any securities or agrees to make such an allotment or grant such an option; or
 - (iv) issues or agrees to issue convertible notes; or
 - (v) disposes or agrees to dispose of the whole or a substantial part of its business or property; or
 - (vi) grants or agrees to grant an encumbrance over the whole or a substantial part of its business or property;
 - (d) neither InterMet nor a controlled entity of InterMet during the Offer Period:
 - (i) appoints a liquidator or provisional liquidator;
 - (ii) is the subject of a court ordered winding up;
 - (iii) has an administrator appointed;
 - (iv) executes a deed of company arrangement; or
 - (v) has a receiver or a receiver and manager, appointed to the whole or a substantial part of the property of InterMet or a controlled entity of InterMet.